

**WINCHESTER CITY COUNCIL**

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

**PRE-AUDIT**

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# EXPLANATORY FOREWORD

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## 1. Introduction

The purpose of this foreword is to offer interested parties an understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the Council's financial position, to assist in the interpretation of the accounting statements.

## 2. Main Statements

The Council's "Statement of Accounts" has been prepared in accordance with statutory requirements and includes the following main statements and associated notes:

- **Statement of Accounting Policies** – explains the basis for the recognition, measurement and disclosure of transactions and other events in the Statement of Accounts.
- **Statement of Responsibilities for the Statement of Accounts** – sets out the respective responsibilities of the Council and the Head of Finance in relation to the Statement of Accounts.
- **Income and Expenditure Account** – reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- **Statement of Movement on the General Fund Balance** – reconciles the surplus or deficit on the Income and Expenditure Account to the movement on the General Fund Balance for the year; showing the additional amounts required by statute and non-statutory proper practices to be charged or credited to the General Fund.
- **Statement of Total Recognised Gains and Losses (STRGL)** - brings together the deficit on the Income and Expenditure Account and the other non-revenue gains recognised on the Balance Sheet, to show the total movement in the Council's net worth for the year.
- **Balance Sheet** – is a fundamental statement of the financial position of the Council at the end of the financial year. It shows the Council's balances and reserves and its long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held at the year end.
- **Cash Flow Statement** – summarises the cash received and payments made by the Council to third parties for both revenue and capital purposes.
- **Housing Revenue Account (HRA)** – an income and expenditure account and reconciliation of the movement on the account balance, showing the transactions relating to the provision, maintenance and sales of Council housing and flats.

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- **Collection Fund** – shows the income received from Council Tax and Business Rate payers and how the income is distributed. Only the Council's share of this income is included in its Income and Expenditure Account.

In addition to the foregoing, the Council is required by statute to provide an **Annual Governance Statement**: a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Statement of Accounts Committee and signed by the Council's Chief Executive and the Leader of the Council.

### 3. Financial Performance

#### 3.1. General Fund

Spending on General Fund services is included within the Income and Expenditure Account.

The Original Budget as approved by the Council on 21 February 2008 was set at £15.358 million, which included £1.956 million for precepts levied by parish councils and £0.771 million for Winchester Town expenditure. For City Services, the Tax for a Band D property was set at £121.05 and the average tax for the district, including the County Council, the Police Authority, the Fire & Rescue Authority, Winchester Town special expenses and parish precepts, was £1,371.77.

Since the budget was set there have been revisions made during the year and a formal review as part of the budget setting exercise for 2009/10, resulting in the Revised Budget, presented below, and compared with the actual outturn figures:

#### GENERAL FUND SUMMARY - 2008/09

Original Budget £000		Revised Budget £000	Actual £000	Variance £000
20,536	<b>Net Cost of Services</b>	21,321	19,365	(1,956)
(5,332)	Financing Transactions	(5,720)	(4,306)	1,414
15,204		15,601	15,059	(542)
(1,312)	Net Interest Receivable	(1,755)	(1,780)	(25)
1,956	Parish Precepts	1,956	1,956	0
	Appropriations:			
(462)	Transfers to/(from) Major Investment Reserve	(357)	13	370
(55)	Transfers to/(from) Earmarked Reserves	(49)	501	550
27	Transfers to/(from) Winchester Town Reserve	18	(13)	(31)
0	Pension reserve	654	654	0
<b>15,358</b>	<b>Net Expenditure</b>	<b>16,068</b>	<b>16,390</b>	<b>322</b>

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### **GENERAL FUND SUMMARY - 2008/09**

<b>Original Budget £000</b>		<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
	Financed by:			
8,421	Collection Fund	8,421	8,421	0
(7)	Collection Fund transfer	(7)	(7)	0
0	Other Government Grants	710	1,032	(322)
6,944	Revenue Support Grant & Non-domestic Rates redistribution	6,944	6,944	0
<b>15,358</b>	<b>Total Financing</b>	<b>16,068</b>	<b>16,390</b>	<b>(322)</b>

Other Government Grants were higher than budgeted because of the receipt of additional grants awarded for Local Authority Business Growth Incentive (LABGI) (£0.282m) and Area Based Grants (£0.040m).

The main variances in net cost of services (after adjusting for the reversal of financing costs) were:

<b><u>GENERAL FUND – 2008/09</u></b>	£000	£000
<b>Most significant favourable variances:</b>		
Benefits subsidy higher than budgeted	(378)	
Retrospective VAT claim re: car park charges	(143)	
Concessionary Travel costs lower than budgeted	(176)	
Higher contribution towards overheads from the HRA	(77)	
Higher Recycling Income	(70)	
EDRMS Back Scanning costs delayed	(56)	
Flexible Working Equipment costs delayed	(50)	
	<u>          </u>	(950)
<b>Most significant adverse variances:</b>		
Gas – retrospective bill for misread meters	108	
Car Parking maintenance (re-classified from capital)	93	
Engineering Projects – external income below budget	81	
Insurance provision – following actuarial review	75	
Car parking income lower than budgeted	71	
Employee Redundancy Payments – accounting provision	55	
Estates Consultancy Costs	54	
	<u>          </u>	537
Net Other variations (below £50k)		(129)
<b>Net Variance</b>		<b>(542)</b>

As a consequence, transfers to earmarked reserves, including the Major Investment Reserve, were £0.889 million more favourable than the Revised Budget assumptions and £0.991 million higher than the Original Budget.

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The General Fund Balance has been maintained at its previous level of £2 million.

### 3.2. Housing Revenue Account

The Housing Revenue Account for 2008/09 is set out on page 60 and in consolidated summary form within the Income and Expenditure Account. During the year, the balance on this account reduced by £0.158 million, from £1.329 million to £1.171 million.

At the year end the valuations for Council Dwellings were significantly below the assumed historic cost (which is deemed to be that as at 1 April 2007). This has resulted in an impairment loss of £44m.

### 4. Capital Expenditure

In 2008/09 the Council incurred capital expenditure of £6.567 million as listed below:

<b>CAPITAL EXPENDITURE</b>	<b>2008/09</b> £000
Housing Major Repairs	3,093
Disabled Facilities & Home Improvement grants	489
Re-investment in stock condition	473
Affordable Housing Regeneration	260
ICT E-govt	259
Museum Storage	240
Abbey Gardens Public Toilets	228
ICT Equipment	200
Flexible Working project	196
West Wing	145
Meadowside Leisure Centre	135
Tower Street	117
Other - individual projects spending below £100,000	732
<b>Total</b>	<b>6,567</b>

Capital expenditure was financed as follows:

<b>FINANCING OF CAPITAL EXPENDITURE</b>	<b>2008/09</b> £000
Major Repairs Allowance (Housing Revenue Account)	3,093
Capital receipts	2,429
Earmarked reserves	481
Government grants	386
External contributions	178
<b>Total</b>	<b>6,567</b>

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Under the Prudential Code local authorities are permitted to borrow provided their capital expenditure plans are affordable, prudent and sustainable. None of the Council's expenditure in 2008/09 was financed by borrowing.

### **5. Investment Property valuations**

The Revaluation Reserve reduced from £19.863 million at 1<sup>st</sup> April 2008 to £17.294 million at 31 March 2009. Within this, there was a net reduction for investment property of £0.843 million; relating to gross upward revaluations for some properties of £0.704 million offset by total downward revaluations on a number of properties amounting to £1.547 million.

Normal accounting practice (SSAP19) requires that where the market value of an investment property falls below the historic cost, the resultant "loss" should only be charged to the Income and Expenditure Account if the loss is expected to be permanent. The Valuer has confirmed that none of these losses are considered to be permanent and so no charge has been made to the Income and Expenditure Account.

### **6. Long Term Debtors**

A review of long term debtors has identified four interest free loans to the Winchester Church Housing Group totalling £0.185 million. In the absence of a repayment schedule for these loans, it has been assumed that repayment in the foreseeable future is unlikely and they have been fully "impaired" to the Financial Instruments Adjustment Account.

### **7. Investments and Borrowing**

At 31 March 2009 Short Term Investments were £21.433 million (£23.409m at 31/3/08), and Long Term Investments were £1.357 million (£1.385m at 31/3/08).

These valuations were effected by the following:

#### **7.1. Local Authority Mutual Investment Trust (LAMIT)**

At the year end the valuation of the Council's investment in LAMIT fell below the historical cost of £1m. This has resulted in an impairment loss of £179k being charged to the Income and Expenditure Account.

The fund's units are intended only for long term investment and it is assumed that, although there is expected to be a continued period of uncertainty and volatility, capital values will recover in the long term. Therefore, the impact of this impairment on the General Fund has been deferred, in accordance with statutory provisions, through the Financial Instruments Adjustments Account.

The income received from this investment in the year amounted to £64k.

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### 7.2. Heritable Bank Ltd. (in Administration)

The collapse of Icelandic banks in October 2008 put at risk £1million of the Council's short term investments. At the time of investment this represented 3.3% of the total short term investments of £30m.

The Council had invested £1m at 6% for 6 months to 16 March 2009 on 16 September 2008 with the Heritable Bank Ltd. The investment was made in full compliance with the Council's investment policies and procedures. However, the Council's Investment Strategy is kept under review and has been revised in response to the continuing financial turmoil.

Heritable Bank was placed in administration on 7 October 2008. The creditor progress report issued by the administrators in April 2009 projected a return of 80p in the £. Dividends have been assumed as follows:

July 2009 -	15% -	£150,518
July 2010 -	30% -	£301,036
July 2011 -	15% -	£150,518
July 2012 -	10% -	£100,345
July 2013 -	10% -	£100,345

Recoveries are based on the Council's claim, including interest accrued up to 6 October 2008.

#### **Exceptional Item**

An impairment loss of £0.316 million has been charged to the Income and Expenditure Account in full in 2008/09. This is calculated by applying discounted cash flow factors to the dividends assumed above, at the original effective interest rate of the deposit (6%).

Despite this exceptional charge, the Council has not needed to apply the regulations that allow for the deferral of this loss in the General Fund to 2010/11.

Clearly, the amounts and timings of any dividends are not definitive and it is likely that further adjustments will be made to the accounts in future years.

### 8. Pensions Liability

In accordance with FRS 17, retirement benefits are recognised when they are earned by the employees, rather than when employer's contributions become payable to the pension fund or payments fall due to pensioners, for which the Council is directly responsible. This policy better reflects the commitment in the long-term to increase contributions to remove any shortfall in net assets in the pension fund.

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported net worth of the Council by an amount which represents around 9.5% (2007/08: 5%).



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### 9. Future Developments

#### 9.1. 2009/10 Budget and Council Tax

The Council approved net expenditure of £15.7 million of which £2.0 million was for Parish Council precepts and £0.8 million for Winchester Town special expenses. After deducting Government grants and collection fund adjustments, £8.7 million was required to be raised from council tax. This resulted in an average Council Tax Band D charge of £184.42, of which £124.38 is for district services (i.e. excluding the Parish Council precepts and Winchester Town special expenses). This compares with 2008/09 Band D rates of £179.00 and £121.05 respectively.

The total including the County Council, the Police Authority and the Fire & Rescue Authority is £1,405.00 as against £1,371.77 for 2008/09.

#### 9.2. Silver Hill development

The Council has a development agreement with a developer (Thornfield Properties PLC) in order to promote and redevelop a mixed use scheme in central Winchester. The Council has a number of properties within the redevelopment area which will be demolished as part of the plans. The main properties in question are Coitbury House, Friarsgate multi storey car park, 6, 8 and 10 Middle Brook Street, Kings Walk, land at Eastgate Street and Tanner Street car park. On completion of the scheme the Council will grant a number of new leases at ground rents geared to the rents received.

A resolution to grant planning consent for the development has been made. The Council has resolved to make a compulsory purchase order in order to acquire the land. Before it becomes legally liable to pay compensation for any interest in properties compulsorily acquired, the Council will have a full indemnity in place from the developer.

#### 9.3. International Financial Reporting Standards

From 2010/11 local authorities will be required to prepare their accounts in line with International Financial Reporting Standards (IFRS). Although IFRS is not being implemented in full until 2010/11, the need to include comparative information for 2009/10 in the first IFRS-based statement of accounts means that the opening balance sheet figures at 1 April 2009 will need to be restated. As an example, this date would be the first date that accruals for holiday pay would need to be established.

In the coming year the Council will be required to prepare for the introduction of International Financial Reporting Standards (IFRS) which is expected to impact on financial ledgers and asset management systems, processes and staff.

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## **STATEMENT OF ACCOUNTING POLICIES**

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### **(1) General Principles**

Unless otherwise stated, this Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Best Value Accounting Code of Practice 2008 (the Best Value Code) and any subsequent Local Authority Accounting Panel (LAAP) recommendations have also been followed. These codes are based on approved accounting and reporting standards, except where these are inconsistent with specific statutory requirements.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **(2) Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- The cost of supplies, estimated and apportioned if necessary for material items, is recorded as expenditure when the supplies are consumed. Regular expenditure on such items as gas, electricity and water are not considered material in this respect and no accruals are made when billing periods on invoices do not coincide with the financial year end. Where costs are significant and consumption is delayed, they are carried as stocks on the Balance Sheet.
- Work in progress is carried on the Balance Sheet until completion, when it is charged as expenditure.
- Interest payable or receivable is accounted for on the basis of the effective interest rate rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **(3) Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support

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## STATEMENT OF ACCOUNTING POLICIES

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Grant) are credited to the foot of the Income and Expenditure after Net Operating Expenditure.

### (4) Intangible Fixed Assets

Intangible fixed assets are defined as non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. For the Council, these currently comprise computer software only.

Intangible assets are capitalised at cost and amortised to revenue on a systematic basis over their economic lives, estimated as 3 to 10 years.

### (5) Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. routine repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- HRA dwellings have been valued on the basis of existing use value for social housing (EUV-SH), with reference to the beacon method of valuation, as recommended in the guidance on stock valuation for resource accounting issued by the Department of Communities and Local Government (DCLG). Other properties within the HRA portfolio, including garages, have been valued separately. The value shown for the HRA stock is as at 31 March 2009.
- Operational properties are valued on the basis of existing use value or, where this cannot be assessed because there is no market for them, on the basis of depreciated replacement cost. Other operational assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at market value.
- Infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation. On the introduction of Fixed Asset accounting in 1994/95, where the cost of a community asset was not known it was included at a nominal value of £1.

**Revaluation and Impairment:** when an asset is included in the Balance Sheet at its current value, it is formally revalued at intervals of not more than 5 years.

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## STATEMENT OF ACCOUNTING POLICIES

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The value at which each category of assets is included in the Balance Sheet is reviewed at the end of each year and, if there is reason to believe that values have changed materially in the period, valuations are adjusted accordingly.

Any increase is credited to the Revaluation Reserve. Where there is a decrease due to an impairment loss the treatment depends on the type of impairment. If there is a clear consumption of economic benefits (e.g. damage or obsolescence) a charge is made to the service revenue account. Otherwise, the impairment is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service account.

**Depreciation:** with the exception of investment properties (for which no depreciation is provided in accordance with SSAP19), depreciation is provided for on all fixed assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- All operational assets other than HRA dwellings - straight-line allocation over the useful lives of the assets, estimated as follows:

Other Buildings	5 to 40 years
Vehicles, Plant and Equipment	3 to 15 years
Infrastructure	5 to 40 years
Community Assets	5 to 40 years
Non-Operational Assets	5 to 40 years
- HRA dwellings - an amount equivalent to the Major Repairs Allowance element of the Housing Subsidy.

Results of the recent stock survey have indicated that existing investment levels are appropriate, subject to minor adjustments, to ensure that the Council achieves the basic Decent Homes Standard by 2010. In light of this, it is considered appropriate to continue using the Major Repairs Allowance as an approximation of depreciation for housing stock.

Assets are depreciated from the first full year in which they are brought into use.

**Disposals:** on disposal of an asset, its value is transferred from the Balance Sheet and netted against any sales proceeds to give the gain or loss on disposal in the Income and Expenditure Account. Any balance in the Revaluation Reserve for the disposed asset is transferred to the Capital Adjustment Account.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can only be used for new capital investment.

**Grants and Contributions:** where the acquisition of a fixed asset is financed, either wholly or in part, by a Government grant or other contribution, the amount receivable is credited to the Grants Deferred Account when the conditions for its receipt have been fulfilled and there is reasonable assurance that the finance will be received. Amounts

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## STATEMENT OF ACCOUNTING POLICIES

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are released to the service revenue account over the useful life of the asset, in line with the depreciation charged.

### **(6) Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are charged for their share of depreciation, amortisation and impairment losses on fixed assets attributable to them. However, as the Council is not required to raise Council Tax to cover these charges, a transfer is made from the Capital Adjustment Account.

This is offset by amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, which are included in the Statement of Movement on the General Fund Balance.

### **(7) Revenue Expenditure Funded by Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets for the Council has been charged as expenditure to the relevant service revenue accounts in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer is made to the Capital Adjustment Account to reverse out the amounts charged in the Statement of Movement on the General Fund Balance, so that there is no impact on the level of council tax.

The introduction in 2008/09 of Revenue Expenditure Funded by Capital under Statute constitutes a change of accounting policy, as its accounting treatment differs from Deferred Charges that it replaces. Deferred Charges were included in the capital activities section of the Cash Flow statement but, as Revenue Expenditure Funded from Capital under Statute is included in the Income and Expenditure Account, it will be included in the revenue activities section. The Cash Flow statement for the comparative period has been restated to reflect this.

### **(8) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP). The full cost is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to corporate management and to democratic representation and management.
- Non distributed costs – including the cost of discretionary benefits awarded to employees and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Services.

The salaries and associated expenses of certain professional and technical staff (e.g. Engineers) are charged to capital schemes on the basis of detailed time sheets.

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### **(9) VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to, and all VAT paid is recoverable from, HM Revenue and Customs.

### **(10) Stocks**

Stocks are included in the Balance Sheet at cost. This is a departure from the requirement in SSAP 9 that stocks should be valued at the lower of cost and net realisable value, but the difference is not material to the Statement of Accounts.

### **(11) Provisions**

Provisions are made when an event has taken place that gives the Council a legal or constructive obligation for which it is probable a transfer of economic benefits will be required, but the timing or amount of this transfer is uncertain. A provision can only be made when the amount of the obligation can be reliably estimated, and is usually charged to the service revenue account to which it relates.

### **(12) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year as part of the cost of the service. The reserve is then appropriated back to the Statement of Movement on the General Fund Balance so there is no net charge against council tax for the expenditure.

Some reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, and do not represent usable resources for the Council. They are explained in the relevant policies.

Balances on certain General Fund reserves are deemed to earn interest: contributions are made to them, by means of appropriations that are included in the Statement of Movement on the General Fund Balance, based on the average rate of interest earned in the year on the Council's investments.

### **(13) Leases**

Leases are required to be accounted for as finance leases when substantially all the risks and rewards relating to the leased assets are transferred to the lessee. The Council does not have any finance leases.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease rentals are credited or charged to the Income and Expenditure Account on a straight-line basis over the period of the lease; this generally means that rentals are credited or charged when they become payable.

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### (14) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For all borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase or settlement.

Where premiums or discounts have been charged to the Income and Expenditure Account regulations allow, or require in the case of the Housing Revenue Account, for the impact to be spread over future years. When the Council repaid all of its debt the premiums incurred related to the Housing Revenue Account. In accordance with statutory requirements, these are amortised in line with subsidy received by means of a transfer from the Financial Instruments Adjustments Account in the Statement of Movement on the General Fund Balance.

### (15) Financial Assets

Financial assets are classified into 2 types:

- **Loans and recoverables** – assets that have fixed or determinable payments but are not quoted on the active market
- **Available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments

**Loans and recoverables** are initially valued at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal recoverable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of interest free loans to Housing Associations. There is no timescale for the repayment of these loans, which would only be repaid if the conditions of the loan were no longer fulfilled. To comply with proper accounting practice regarding soft loans, because of the indeterminable length of the loans, a 100% impairment has been charged against these loans (see Note 21).

**Available-for-sale assets** are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the assets multiplied by the effective rate of interest for the instrument. Where there are no

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fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Balance Sheet Fair Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuation

Changes in fair value are balanced by an entry in the Available-for-sale Financial Instruments Reserve and the gain or loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred: these are charged to the Income and Expenditure Account along with any net gain or loss for the asset accumulated in the Reserve.

### (16) Retirement Benefits

Employees of the Council are members of the Local Government Pension Scheme. This is a defined benefit pension scheme administered by Hampshire County Council.

The net liabilities of this scheme attributable to the Council are included in the Balance Sheet on an actuarial basis. Liabilities are discounted to their value at current prices by using a discount rate based on the current rate of return on high-quality corporate bonds. The assets of the pension fund attributable to the Council are included at their fair value.

The change in the net pensions liability is analysed into the following components:

- **Current service cost** – the increase in the Council's liabilities as a result of years of service earned by employees during the year. This is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- **Past service costs** – the increase in the Council's liabilities arising from current year decisions whose effect relates to years of service earned in previous years. This is charged to the net cost of services under Non Distributed Costs in the Income and Expenditure Account.
- **Interest cost** – the expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement. This is a financing element debited to the Net Operating Expenditure in the Income and Expenditure Account.
- **Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return. This is a financing element credited to Net Operating Expenditure in the Income and Expenditure Account.
- **Gains/losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual



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## STATEMENT OF ACCOUNTING POLICIES

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of benefits of employees. This is charged to Non Distributed Costs in the Income and Expenditure Account.

- **Actuarial gains and losses** – the changes that arise because events have not coincided with actuarial assumptions made for the last valuation or because the actuaries have updated their assumptions. These are posted to the Statement of Total Recognised Gains and Losses.
- **Contributions by the employer** - cash paid by the Council as employer's contributions to the pension fund.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. To achieve this, in the Statement of Movement on the General Fund Balance there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with a debit for the cash payable to the pension fund.

There has been a change of accounting policy in 2008/09 to bring the accounting treatment into line with the revised FRS 17 on Retirement Benefits. Derivatives are now required to be valued on a fair value basis, and quoted investments should be valued at bid price rather than the mid-market price previously used. As the difference made to the net pension fund liability is not material, the Financial Statements for 2007/08 have not been restated.

### **(17) Contingent Assets and Liabilities**

Contingent assets and liabilities are possible assets or liabilities that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

Contingent liabilities may also arise from past events where it is not probable that a transfer of economic benefits will be required or where the amount of the obligation cannot be reliably measured.

Neither contingent assets nor contingent liabilities are accrued in the accounting statements but are disclosed by way of notes.

### **(18) Out of Date Cheques**

The Council writes off uncashed cheques after six months, with any subsequent claims arising being accepted as an expense in the service cost. This may have the effect of understating the Council's obligations, but the amounts involved are not considered material to this Statement of Accounts.

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### The Council's Responsibilities

#### The Council is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### The Responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

#### In preparing this Statement of Accounts, the Head of Finance has: -

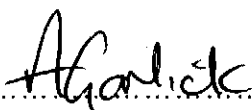
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

#### The Head of Finance has also: -

- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.

Signature: .....



Date:

25 June 2009

**Alexis Garlick, FCCA**  
**Head of Finance**

I certify that the Statement of Accounts for the year ended 31 March 2009 has been approved by a resolution of the Statement of Accounts Committee at its meeting on 25 June 2009.

Chairman: .....



Date:

25 June 2009

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**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2009**

2007/08			2008/09		
Net Expend- iture £000		Note	Gross Expend- iture £000	Income £000	Net Expend- iture £000
3,124	Corporate and democratic core		2,815	(50)	2,765
1,948	Central services to the public		7,605	(5,592)	2,013
4,928	Cultural and related services		5,221	(929)	4,292
5,924	Environment & regulatory		7,063	(787)	6,276
3,335	Planning & development		5,016	(2,022)	2,994
155	Highways, roads and transport		4,894	(5,123)	(229)
(1,288)	Local authority housing (HRA)		66,138	(22,493)	43,645
1,710	Other housing services		20,825	(18,936)	1,889
1,043	Non distributed costs		1,038	0	1,038
<b>20,879</b>	<b>Net Cost of Services</b>		<b>120,615</b>	<b>(55,932)</b>	<b>64,683</b>
(1,486)	Surplus on disposal of fixed assets				(445)
1,790	Parish council precepts				1,956
(553)	Surpluses on trading accounts	1			(1,435)
18	Interest payable and similar charges	20			191
1,340	Contribution of housing capital receipts to Government Pool				739
(1,923)	Interest and investment income	20			(1,929)
1,020	Pensions interest cost and expected return on pensions assets	33			1,810
0	Exceptional item	20			316
<b>21,085</b>	<b>Net Operating Expenditure</b>				<b>65,886</b>
	<b>General Government Grants &amp; Taxes</b>				
(7,953)	Demand on the Collection Fund			(8,421)	
(35)	Collection Fund transfer	C3		7	
(979)	Revenue Support Grant			(849)	
(94)	Other government grants not attributable to specific services	2		(1,032)	
(5,834)	Non-domestic rates redistribution			(6,095)	
					(16,390)
<b>6,190</b>	<b>Deficit for year</b>				<b>49,496</b>

Signature: ..... *Alexis Garlick* .....  
**Alexis Garlick, FCCA**  
**Head of Finance**

Date: ..... *25 June 2009* .....

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## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31 MARCH 2009

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The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over- or under-spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
6,190	Deficit for year on the Income & Expenditure Account	49,496
(6,190)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(49,496)
0	Movement in General Fund Balance for the Year	0
(2,000)	General Fund Balance brought forward	(2,000)
<u>(2,000)</u>	<b>General Fund Balance carried forward</b>	<u>(2,000)</u>

The General Fund balance, as at 31 March 2009, is set at £2 million, the same level as at 2008. This is considered an appropriate working balance to cover any unforeseen expenditure.

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**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE  
GENERAL FUND BALANCE**

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2007/08 £000	Note	2008/09 £000
<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
(351)		(240)
(3,622)		(3,899)
391	26	724
(1,215)		(891)
(380)		(44,394)
1,478		445
(1,735)	33	(1,039)
0	20	(179)
0		9
<u>(5,434)</u>		<u>(49,464)</u>
<b>Amounts not included in the Income &amp; Expenditure Account but required by statute to be included when determining the movement on the General Fund Balance for the year</b>		
890		381
225		226
5	33	(21)
442		0
(1,340)	29(d)	(739)
<u>222</u>		<u>(153)</u>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
302		(158)
(1,027)	29(f)	12
(16)	29(g)	(10)
(237)	29(g)	277
<u>(978)</u>		<u>121</u>
<u>(6,190)</u>		<u>(49,496)</u>

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## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

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This statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the deficit incurred on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2007/08</b>		<b>Note</b>	<b>2008/09</b>
£000			£000    £000
<u>6,190</u>	Deficit for the year on the Income & Expenditure Account		49,496
(19,863)	Movement on Revaluation Reserve		2,569
(631)	Revaluation of assets sold		0
(436)	Adjustment for 2006/2007 revaluations		0
0	Amortisation of the revaluation reserve		(691)
<u>(20,930)</u>	Revaluation of Fixed Assets	<b>29(b)</b>	<u>1,878</u>
192	Decrease on Available-for-sale Financial Instruments Reserve	<b>29(c)</b>	335
52	Increase/(decrease) on Collection Fund deficit attributable to the Council	<b>C4</b>	(22)
(10,766)	Actuarial (gains)/losses on Pension Fund Assets & Liabilities	<b>33</b>	14,969
0	Other		12
<u>(25,262)</u>	<b>Total recognised (gains)/losses for the year</b>		<u>66,668</u>

## BALANCE SHEET AS AT 31 MARCH 2009

31 March 2008 As restated	£000	£000	Note	31 March 2009	£000	£000
		916		<b>Fixed Assets</b>		
			13	<b>Intangible Fixed Assets</b>		932
				<b>Tangible Fixed Assets</b>		
				Operational Assets:		
407,631				Council Dwellings	363,227	
53,470				Other Land and Buildings	51,767	
3,976				Vehicles, Plant and Equipment	3,738	
322				Infrastructure	349	
877				Community Assets	923	
	466,276		14		420,004	
				Non-Operational Assets:		
32,034				Investment Properties	33,237	
0				Assets under Construction	1,130	
7,838				Surplus Assets for Disposal	2,830	
	39,872		14		37,197	
	507,064			<b>Total Fixed Assets</b>		458,133
		1,385	19	<b>Long-term Investments</b>		1,357
		348	21	<b>Long-term Debtors</b>		153
	508,797			<b>Total Long-term Assets</b>		459,643
				<b>Current Assets</b>		
64			22	Stocks	17	
7,101			23	Debtors	9,101	
(3,526)			23	Provisions for Bad Debts	(3,590)	
23,409			19	Investments	21,433	
2,653	29,701			Cash and Bank	3,160	30,121
	538,498			<b>Total Assets</b>		489,764
				<b>Current Liabilities</b>		
		(7,811)	24	Creditors		(9,497)
	530,687			<b>Total Assets less Current Liabilities</b>		480,267
				<b>Long-term Liabilities</b>		
(3,708)			25	Grants and Contributions Unapplied	(3,787)	
(1,814)			26	Government Grants Deferred	(1,662)	
(50)			27	Deferred Liabilities	(26)	
(185)			28	Provisions	(501)	
(25,181)			33	Liability related to Pension Scheme	(41,210)	
	(30,938)					(47,186)
	499,749			<b>Total Assets less Liabilities</b>		433,081

## BALANCE SHEET AS AT 31 MARCH 2009 (continued)

31 March 2008 As restated £000      £000	Note	31 March 2009 £000      £000
<b>Financed by:</b>		
485,387	Capital Adjustment Account	439,177
19,863	Revaluation Reserve	17,294
(900)	Financial Instruments Adjustment Account	(1,037)
335	Available-for-sale Financial Instruments Reserve	0
8,394	Usable Capital Receipts Reserve	6,689
369	Deferred Capital Receipts Reserve	313
(25,181)	Pensions Reserve	(41,210)
76	HRA Major Repairs Reserve	306
<b>Earmarked Reserves</b>		
4,512	-Major Investment Reserve	4,312
<u>3,591</u>	-Other Earmarked Reserves	<u>4,070</u>
8,103		8,382
<b>Balances:</b>		
2,000	-General Fund	2,000
1,329	-Housing Revenue Account	1,171
(26)	-Collection Fund	(4)
<u><u>499,749</u></u>	<b>Total Net Worth</b>	<u><u>433,081</u></u>
	<b>29</b>	

Signed: ..... *Alexis Garlick* .....

Date: ..... *25 June 2009* .....

**Alexis Garlick, FCCA**  
**Head of Finance**



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**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 MARCH 2009**

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<b>2007/08</b>			<b>2008/09</b>	
<b>as restated</b>				
£000	£000	Note	£000	£000
<b>REVENUE ACTIVITIES</b>				
<u>(2,280)</u>		<b>Net cash inflow from revenue activities</b>	<b>35</b>	<u>(1,747)</u>
<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>				
<b>Cash outflows</b>				
17		Interest paid		3
<b>Cash inflows</b>				
<u>(2,242)</u>		Interest received		<u>(1,667)</u>
<u>(2,225)</u>		<b>Net cash inflow from investments and servicing of finance</b>		<u>(1,664)</u>
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows</b>				
7,314		Purchase of fixed & intangible assets	5,747	
0		Purchase of long-term investments	536	
<u>1,082</u>		Other capital payments	<u>1,109</u>	
9,069				7,392
<b>Cash inflows</b>				
(4,367)		Sale of fixed assets	(1,600)	
(323)		Government capital grants received	<b>36</b> (483)	
<u>(960)</u>		Other capital cash receipts	<u>(669)</u>	
<u>(5,650)</u>				<u>(2,752)</u>
<u>3,419</u>		<b>Net cash outflow from capital activities</b>		<u>4,640</u>
(1,086)		<b>Net cash (inflow)/outflow before financing</b>		1,229
<b>MANAGEMENT OF LIQUID RESOURCE</b>				
1,000		Net increase/(decrease) in short term deposits	<b>38</b>	(1,736)
<u>(759)</u>		<b>Net increase in cash</b>		<u>(507)</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**1. Trading Accounts**

The CIPFA Code of Practice on Best Value Accounting defines a number of types of trading account, which may be maintained. These may broadly be considered as activities of a commercial nature, substantially financed by charges made to recipients of the service.

Details of those not included in the main body of services are set out below.

<b>2007/08</b>		<b>2008/09</b>		
<b>Net (Surplus)/ Deficit</b>		<b>Gross Expend- iture</b>	<b>Income</b>	<b>Net (Surplus)/ Deficit</b>
£000		£000	£000	£000
	General Fund Property			
(776)	Management	1,021	(2,665)	(1,644)
157	The Guildhall	1,133	(951)	182
	Engineering Projects &			
66	Rechargeable Works	76	(49)	27
<u>(553)</u>		<u>2,230</u>	<u>(3,665)</u>	<u>(1,435)</u>

General Fund Property Management is the costs and income from the Council's commercial and industrial properties.

Following a recommendation from the Best Value Inspectorate, a statement of the purpose and management objectives for the Guildhall was approved by the Cabinet on 3 April 2002. The Cabinet resolved to make the best use of the Guildhall as a high quality venue suitable for some of the events, functions and activities through which the quality of life in the community would be improved. It was also to provide facilities for meetings of the City Council and other public bodies and to accommodate other additional services or functions that the City Council believes will benefit Winchester. The Guildhall trading account includes the cost of providing meeting facilities for members in support of the democratic function. The building is to be managed in such a way as to maximise the amount of usage of the venue consistent with achieving, but not necessarily exceeding, the financial operating targets set annually by the Council.

The Engineering Projects and Rechargeable Works account encompasses projects and other works carried out both for the City and external clients by the Engineering Business Unit. The trading intention is to break even.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**2. Other Government Grants not attributable to specific services**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	Local Authority Business Growth Incentive	
94	Scheme	992
	Area Based Grants:	
0	Climate Change Grant	23
0	Habitat Regulations Assessment Grant	17
<u>94</u>		<u>1,032</u>
		<u>1,032</u>

**3. Agency Income and Expenditure**

The Council has an agency agreement with Hampshire County Council (HCC) whereby the Council is responsible for grass cutting, tree and shrub maintenance, temporary road closures, replacement signs, traffic management and development control on highways. Until 2007/08 this also included refuse disposal, relating to the costs incurred in the collection of abandoned vehicles. HCC reimburses the Council for the direct costs of this agency work and also contributes towards the administrative expenses.

From April 1988 the Council entered into an agency agreement with HCC for the enforcement of parking control. The cumulative net costs can be reimbursed from any future surplus income arising from parking enforcement.

A summary of expenditure incurred in respect of agency activity, which is not included in the Income and Expenditure Account, is shown below.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Hampshire County Council :</b>	
386	Highways	414
18	Refuse Disposal	0
<u>404</u>		<u>414</u>
		<u>414</u>

**4. Building Control Trading Account**

The Building (Local Authority Charges) Regulations require the setting of a scheme of charges, the recovery of costs and disclosure of an annual statement in respect of the Building Regulation function. This scheme is reviewed at least annually and further details are available from the Head of Building Control at The City Offices, Colebrook St, Winchester, SO23 9LJ. However, certain other activities performed by the Building Control Unit cannot be charged for, such as enforcement, advisory and consultative services and public protection activities. The statement below shows the total cost of administering the Building Control Unit divided between chargeable and non-chargeable activities. The regulations require these figures to be

**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

shown on a three year rolling basis, and any surpluses are reinvested in the service.

2006/07	2007/08		2008/09		
Net (Surplus) /Deficit £000	Net (Surplus) /Deficit £000		Gross expend- iture £000	Income £000	Net (Surplus) /Deficit £000
30	(56)	Chargeable	554	(604)	(50)
193	235	Non-Chargeable	226		226
<u>223</u>	<u>179</u>		<u>779</u>	<u>(604)</u>	<u>176</u>
		<b>Chargeable</b>			
(42)	(12)	Cumulative Surplus B/F			(68)
30	(56)	Deficit/(surplus) for Year			<u>(50)</u>
<u>(12)</u>	<u>(68)</u>	Cumulative Surplus C/F			<u>(118)</u>

**5. Expenditure on Publicity**

Section 5 of the Local Government Act 1986 requires that local authorities keep a separate account of their expenditure on publicity. The Act defines publicity as “any communication, in whatever form, addressed to the public at large or to a section of the public”. The Council’s spending on publicity was as follows:

2007/08		2008/09
£000		£000
67	Staff recruitment	94
13	Traffic Regulations Orders	17
19	Parking & transport publicity	3
16	Environmental Health & Recycling	28
1	Housing Tenants publicity	4
167	Council newspaper & public relations	224
62	Planning & Building Control	42
94	Tourism & Leisure	24
0	Other	31
<u>439</u>		<u>466</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**6. Audit Costs**

The Council incurred the following expenditure relating to external audit and inspection:

<b>2007/08</b>		<b>2008/09</b>
£000		£000
114	Fees payable for external audit services carried out by the appointed auditor	162
14	Fees payable to the appointed auditor in respect of statutory inspection	7
15	Additional fee arising from an objection	0
30	Fees payable for the certification of grant claims and returns	101
<u>173</u>		<u>270</u>

The figure for certification of grant claims in 2008/09 includes both £49,788 for work done in the year in respect of 2007/08 grants claims and accrued expenditure for work to be done on 2008/09 claims. This is because the Council is moving over to the convention of including audit fees relating to grant claims in the expenditure of the year to which the grants relate.

Fees payable for external audit services are also higher in 2008/09 due to extra charges relating to the 2007/08 Accounts to cover the additional audit work resulting from the new accounting requirements in the Statement of Recommended Practice and the earlier timing of the audit. Fees for the 2008/09 audit included above are also higher than the previous year mainly due to the move to Comprehensive Area Assessment, which includes inspection of the work of Council's partners, and the increased risk perceived due to staff changes.

**7. Local Government (Goods and Services) Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. Under such arrangements, all expenditure is reimbursed by the entity concerned.

In 2008/09 total income of £923,000 (£1,024,000 in 2007/08) was received. This came from three sources: Hampshire County Council for highways schemes (£16,000), housing welfare (£660,000) and household recycling (£172,000); South East Employers for the provision of financial services (£33,000) and Test Valley Borough Council for the shared Head of Revenues and other services (£42,000).

**8. Finance and Operating Leases**

**(a) The Council as Lessee**

The Council does not currently have any finance leases.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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The Council has vehicles and equipment financed under the terms of operating leases. The amount paid under these arrangements in 2008/09 was £627,000 (2007/08: £567,000).

In addition to the above leases for plant & equipment, in 2008/09 the Council had obligations under operating leases on two properties. The Council leases the West Wing of the Guildhall on a fifteen year lease and the F2 Store on twenty year lease. Payments made in 2008/09 amounted to £223,000 (2007/08: £168,000).

The Council also leases several car parks from Hampshire County Council, the Park and Ride and Tower Street Car Parks are leased on a peppercorn rent, and the Durngate Car Park is leased at £14,000 per annum on a ten year lease.

**Commitments under Operating Leases** – the Council was committed at 31 March 2009 to making payments of £3,845,000 under operating leases in 2009/10, comprising the following elements:

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>
	£000	£000
Leases expiring in 2009/10	0	122
Leases expiring between 2010/11 and 2013/14	0	950
Leases expiring after 2014/15	2,773	0

**(b) The Council as Lessor**

The Council has a portfolio of properties which are leased; these have been accounted for as operating leases. The rents receivable in 2008/09 were £2,822,000 (£2,715,000 in 2007/08).

The gross value of assets held for use in operating leases was £35,791,000 (valued at 31 March 2009 and subject to £10,000 depreciation to 31 March 2009).

**9. Members' Allowances**

The total expenditure on Member's remuneration during 2008/09 was £479,920 (2007/08: £451,500). The previous year's total has been restated to include travel and subsistence allowances.

**10. Officers' Emoluments**

The Accounts and Audit Regulations (2003) specifically require the disclosure of employees' remuneration which exceeds £50,000 (excluding employer's pension contributions). Remuneration is defined as all amounts paid to or received by an employee, and includes expenses allowances, and the estimated value of any money benefits received other than cash.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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The number of employees whose remuneration was in excess of £50,000 is listed below:

Number of employees 2007/08	Remuneration Band (including expenses & benefits)	Number of employees 2008/09
23	£50,000 - £59,999	16
1	£60,000 - £69,999	6
3	£70,000 - £79,999	0
0	£80,000 - £89,999	3
1	£90,000 - £99,999	1
<u>28</u>	<b>Total</b>	<u>26</u>

### 11. Discretionary Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote wellbeing in their area. As a consequence, the majority of the provisions of section 137 were repealed with effect from October 2000.

Section 137 of the Local Government Act 1972, as amended, empowers the Council to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the UK and mayoral appeals. There was no expenditure under this provision. The Council relies on other specific grant making powers in relevant legislation to make grants to voluntary bodies, or the wellbeing powers in the Local Government Act 2000.

### 12. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Details of transactions with Government departments are set out in Note 36 to the Cash Flow Statement. Details of payments to the Local Government Pension fund are set out in Note 33 in this Statement of Accounts.

Members of the Council have direct control over the Council's financial and operating policies. A Register of Interests is maintained in the Democratic

**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

Services Division. Declarations of interests in meetings which include the personal interests of partners, and relatives are also recorded in the minutes of the relevant meeting, and open to public inspection.

There were no material transactions with any chief officers or members during the year.

**13. Intangible Fixed Assets**

	<b>Software</b>
<b>Cost</b>	£000
At 1 April 2008 Balance B/F	1,849
Additions	256
At 31 March 2009	2,105
<b>Depreciation</b>	
At 1 April 2008 Balance B/F	(933)
Charge for the year	(240)
At 31 March 2009	(1,173)
<b>Net Book Amount at 31 March 2009</b>	932
<b>Net Book Value at 1 April 2008</b>	916

**14. Tangible Fixed Assets**

	Dwellings	Operat- ional Land & Buildings	Operational Vehicles Plant & Equipment	Infra- structure	Commun- ity Assets	Total
<b>Cost</b>	£000	£000	£000	£000	£000	£000
At 1 April 2008 Balance B/F	407,631	55,521	8,744	842	1,033	473,771
Additions	3,567	311	328	76	10	4,292
Disposals	(749)	(57)	0	0	0	(806)
Impairments	(43,886)	(1,053)	0	0	0	(44,939)
Reclassifications	(12)	1,328	276	0	54	1,646
Revaluations	(3,324)	(4,233)	0	0	0	(7,557)
At 31 March 2009	363,227	51,817	9,348	918	1,097	426,407
<b>Depreciation &amp; Impairment</b>						
At 1 April 2008 Balance B/F	0	(2,051)	(4,768)	(520)	(156)	(7,495)
Charge for the year	(3,324)	(893)	(840)	(49)	(18)	(5,124)
Disposals	0	31	0	0	0	31
Reclassifications	0	70	(2)	0	0	68
Revaluations	3,324	2,793	0	0	0	6,117
At 31 March 2009	0	(50)	(5,610)	(569)	(174)	(6,403)
<b>Net Book Amount at 31 March 2009</b>	363,227	51,767	3,738	349	923	420,004
<b>Net Book Value at 1 April 2008</b>	407,631	53,470	3,976	322	877	466,276



**NOTES TO THE CORE FINANCIAL STATEMENTS  
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	Non-Operational			Total £000
	Surplus Assets £000	Assets Under Construction & WiP £000	Investment Properties £000	
<b>Cost</b>				
At 1 April 2008 Balance B/F	7,880	0	32,034	39,914
Additions	0	1,130	0	1,130
Disposals	(288)	0	0	(288)
Impairments	(1,035)	0	0	(1,035)
Reclassifications	(3,721)	0	2,075	(1,646)
Revaluations	(6)	0	(872)	(878)
At 31 March 2009	2,830	1,130	33,237	37,197
<b>Depreciation</b>				
At 1 April 2008 Balance B/F	(42)	0	0	(42)
Charge for the year	(17)	0	0	(17)
Disposals	8	0	0	8
Reclassifications	(39)	0	(29)	(68)
Revaluations	90	0	29	119
At 31 March 2009	0	0	0	0
<b>Net Book Amount at 31 March 2009</b>	2,830	1,130	33,237	37,197
<b>Net Book Value at 1 April 2008</b>	7,838	0	32,034	39,872

## 15. Valuations

The following statements show the progress of the Council's programme for the revaluation of fixed assets. The valuations of the freehold and leasehold properties, which constitute the Council's property portfolio held in the General Fund and Housing Revenue Account, have been undertaken by an internal valuer, B Bottrill B.Sc., MRICS, the Council's Senior Estates Surveyor. The basis of valuation is set out in the Statement of Accounting Policies.

	Operational					Total £000
	Dwellings £000	Operat- ional Land & Buildings £000	Vehicles Plant & Equipment £000	Infrastr- ucture £000	Commun- ity Assets £000	
Historic Cost			3,738	349	923	5,010
Valuation 31/3/09	363,227	51,767				414,994
	363,227	51,767	3,738	349	923	420,004

	Non-Operational			Total £000
	Surplus Assets £000	Assets Under Construction & WiP £000	Investment Properties £000	
Historic Cost		1,130		1,130
Valuation 31/3/09	2,830		33,237	36,067
	2,830	1,130	33,237	37,197

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**16. Information on Assets Held**

Number at 31/3/08 as restated		Number at 31/3/09
	<b>HRA PROPERTIES</b>	
2,306	Houses	2,302
863	Bungalows	862
1,939	Flats & Maisonettes	1,934
15	Shared ownership	15
1,889	Garages	1,882
	<b>HRA COMMUNITY ASSETS</b>	
3	Allotments	3
4	Playgrounds	4
46	Pumping Stations & Sewage Works	46
11	Community Centres	11
30	Non-operational property and land valued over £10,000	28
	<b>GF OPERATIONAL PROPERTIES</b>	
5	City Offices	5
2	Depots	2
1	Guildhall	1
2	Leisure Centres	2
19	Surface Car Parks	19
4	Multi-Storey Car Parks	4
12	Public conveniences	11
2	Museums & Archaeology	2
1	Mayoral Residence	1
8	Other	8
	<b>OPERATIONAL PLANT &amp; EQUIPMENT</b>	
679	Personal Computers	680
85,000	Household Bins	85,295
2,692	Trade Refuse, Litter & Materials Recycling Bins & Containers	2108
98	Car Parking Pay & Display Ticket Machines	98
	<b>COMMUNITY ASSETS</b>	
10	Civic Regalia	10
1,711	Art Collection	1,712
13	Monuments	14
2	Cemeteries	2
3	Allotments	3
21	Parks and Open Spaces (hectares)	21
41	Playgrounds	41
25	Sports Pitches	25
	<b>GF NON-OPERATIONAL PROPERTIES</b>	
76	Land and properties valued £10,000 or over	77

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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The Council has reviewed its analysis of assets during 2008/09, and restated 2007/08 as appropriate.

**17. Summary of Financing**

Capital expenditure is paid for (financed) in a number of ways but the revenue impact (capital financing costs) is charged to the revenue account of the appropriate service.

A summary for 2008/09 is as follows:-

<b>2007/08</b>		<b>2008/09</b>
£000		£000
<u>0</u>	Opening Capital Financing Requirement	<u>0</u>
	<b>Capital Expenditure</b>	
5,966	Operational Assets	4,293
623	Non-operational Assets	1,130
427	Intangible Assets	256
2,395	Revenue Expenditure Funded from Capital under Statute	891
<u>9,411</u>		<u>6,570</u>
	<b>Sources of Finance</b>	
(3,380)	Capital Receipts	(2,520)
(1,384)	Government Grants and other Contributions	(575)
(3,315)	HRA Major Repairs Reserve	(3,094)
(442)	HRA Revenue Provision	0
(890)	GF Revenue Provision	(381)
<u>(9,411)</u>		<u>(6,570)</u>
<u>0</u>	Closing Capital Financing Requirement	<u>0</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**18. Capital Commitments**

As at 31 March 2009, the Council was contractually committed to future expenditure consisting of :

	<b>2008/09</b> £000
Capital Grants	116
"Ok to Play" project	54
Playbuilder	34
Tourist Information Centre Improvements	50
Abbey Gardens Public Toilets	62
Flexible Working project	33
Museum Storage (F2)	1
Discovery Centre Fit Out	18
River Park Leisure Centre	33
Parchment Street Enhancement	10
Tower Street Car Park	1,186
ICT - equipment	20
Strategic Housing Grants	154
Henry Beaufort School - Artificial Pitch	130
Alresford 'Putting Pedestrians First'	214
Housing Major Repairs	198
	2,313

**19. Investments**

The Council invests its cash surpluses (both capital and revenue) and details are as follows:-

<b>31/3/08</b> £000		<b>31/3/09</b> £000
	<b>Long-term Investments</b>	
	<u>Available for sale assets</u>	
1,335	- Local Authorities Mutual Investment Trust	821
50	- Association of District Councils debenture	0
1,385		821
	<u>Loans &amp; receivables</u>	
0	- Heritable Bank	536
1,385		1,357
	<b>Short-term Investments</b>	
	<u>Loans &amp; receivables</u>	
0	- Heritable Bank	148
23,000	- Other short-term investments	20,800
409	- Accrued interest on short-term investments	485
23,409		21,433

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## NOTES TO THE CORE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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### **Local Authority Mutual Investment Trust (LAMIT)**

At the year end the valuation of the Council's investment in LAMIT fell below the historical cost of £1m. This has resulted in an impairment loss of £179k being charged to the Income and Expenditure Account. The income received from this investment in the year amounted to £64k.

The financial crisis has impacted on activity and valuations for property investments in the UK which experienced sharp reductions during the course of 2008/09. However the fund's units are intended only for long term investment and it is assumed that, although there is expected to be a continued period of uncertainty and volatility, capital values will recover in the long term.

Therefore, in accordance with Statutory Instrument 2009 No.321 which allows the deferment of the impairment of certain investments up to 1 April 2010, a corresponding credit has been made to the revenue account, with the debit being held in the Financial Instruments Adjustments Account.

### **Association of District Councils debenture**

The property to which the ADC debenture relates was sold on 1<sup>st</sup> April 2008, and repayment of £59,242 was made to the Council on 1<sup>st</sup> October 2008, representing repayment of the principal of £50,000 plus a redemption premium.

### **Heritable Bank**

Heritable Bank is a UK registered bank under Scottish law. It was acquired by the Icelandic bank Landsbranki Islands in 2000 and allowed to function as a separately managed UK subsidiary. On 7 October 2008, following the collapse of the Icelandic banks, the company was placed in administration.

The Council deposited £1m with Heritable Bank on 16 September 2008 with a maturity date of 16 March 2009, at an interest rate of 6%. At 31 March 2009, the carrying amount of this investment was £785k.

The Council has chosen to charge the impairment loss of £316k to the General Fund in 2008-09 and not to take advantage of regulations issued recently that allow the Council to defer the loss to future years. This loss has been highlighted as an exceptional item on the Income and Expenditure Account. As the available information is not definitive as to the amounts and timings of payments to be made, it is likely that further adjustments will be made to the accounts in future years.

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The Council has therefore decided to recognise an impairment based on a recovery of 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore, in calculating the impairment the Council has made the following assumptions about timing of recoveries:

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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July 2009 – 15%  
 July 2010 – 30%  
 July 2011 – 15%  
 July 2012 – 10%  
 July 2013 – 10%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

**20. Financial Instruments**

The gains and losses recognised in the Income and Expenditure Account and in the Statement of Total Recognised Gains and Losses in relation to Financial Instruments are made up as follows:

<b>Gains &amp; Losses 2008/09</b>	Financial	<u>Financial Assets</u>		Total £000
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available for sale assets £000	
Interest expense	12	0	0	12
Impairment losses	0	0	179	179
Interest payable and similar charges	12	0	179	<u>191</u>
Interest income	0	(1,856)	(64)	(1,920)
Gains on derecognition	0	0	(9)	(9)
Interest and investment income	0	(1,856)	(73)	<u>(1,929)</u>
Impairment losses	0	316	0	316
Exceptional item	0	316	0	<u>316</u>
Loss on revaluation: Written off against surplus from prior years			<u>335</u>	
Net (gain)/loss for the year	<u>12</u>	<u>(1,540)</u>	<u>441</u>	

**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

<b>Gains &amp; Losses 2007/08</b>	Financial	Financial Assets		Total £000's
	Liabilities measured at amortised cost £000's	Loans and receivables £000's	Available for sale assets £000's	
Interest expense	18	-	-	
Interest payable and similar charges	18	0	0	18
Interest income	-	(1,869)	(54)	
Interest and investment income	0	(1,869)	(54)	(1,923)
Loss on revaluation: Written off against surplus from prior years			192	
Net (gain)/loss for the year	18	(1,869)	138	

**Nature and Extent of Risks**

The Council's activities expose it to a number of financial risks:

**Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;

**Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;

**Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme recognises the unpredictability of financial markets and seeks to minimise the Council's exposure to adverse events that would reduce the level of resources available to fund services.

**Credit Risk**

Deposits with banks and other financial institutions are only made to those with satisfactory ratings from established ratings agencies. In addition, the Council has placed limits on the level of deposits to be placed with any one institution. Because of the credit crunch during the year the Council made further restrictions to its counterparty list and also restricted the length of time of investments. The complete details of the Council's criteria for lending to financial institutions can be found in the Treasury Management Strategy at

[http://www.winchester.gov.uk/Download.asp?path=/Documents/Committees/Cabinet/1700\\_1799/CAB1785.pdf](http://www.winchester.gov.uk/Download.asp?path=/Documents/Committees/Cabinet/1700_1799/CAB1785.pdf)

Credit limits are set on the amount of credit offered to any person, company or organisation, with the exception of Government departments who are assumed to offer zero risk to the Council.

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## NOTES TO THE CORE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

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At the end of each financial year, the Council reviews its provisions for bad debts which are offset against aggregate debtors' balances. At 31 March 2009, the balance of the bad debt provision was £3,590,403. This is deemed adequate to cover the risk of non-payment of monies owed to the Council, and therefore no fair value adjustments need to be made to the debtor balance as shown on the face of the balance sheet.

### **Liquidity Risk**

The Council is debt-free and at 31 March 2009 had short term deposits of £21.4 million with various financial institutions. For this reason, there is no significant risk that the Council will not be able to meet its financial obligations.

### **Market Risk**

The Council is exposed to risk arising from movements in interest rates. However, the level of exposure is limited as the Council does not have any borrowings and all its deposits are for periods of less than one year. Therefore, the impact of movements in interest rates would be as follows:

- where the market rate of interest rises, the Council would receive less income than would have been possible if the deposits had been made at a later date;
- where the market rate of interest falls, the Council would have received more income than if the deposits had been made at a later date.

The Council takes two actions to mitigate the risk of missing opportunities to invest funds at more preferable rates of interest. These are as follows:

1. The Council does not make any one deposit of more than £3 million except to the Debt Management Office where investments are limited to 6 months. At 31 March 2009, there were 21 deposits of £1 million and no individual deposits of more than £1million.
2. Deposits are made over a variety of periods from 90 days to 364 days. The table below shows the duration of deposits by value.

Duration	1-91 days	92 -182 days	183-273 days	274–364 days
Value of Deposits	£7.8 m	£4.0 m	£0.0 m	£9.0 m



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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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## 21. Long Term Debtors

These consist mainly of balances outstanding on mortgages for house purchase and improvement, including former Council dwellings, and advances to Housing Associations. Details of these are as follows :-

<b>31/3/08</b>		<b>31/3/09</b>
£000		£000
25	House purchase mortgages	21
294	Advances to housing associations	108
29	Other	24
<u>348</u>		<u>153</u>

Included in the movement of the balance of Advances to housing associations is the impairment of £184,500 relating to four interest free loans made to the Winchester Church Housing Group. It is considered that these loans are unlikely to be repayable in the foreseeable future. The impact on the General Fund has been negated by a transfer to the Financial Instruments Adjustment Account.

## 22. Stocks

Stocks are included in the Balance Sheet at cost. This is a departure from the requirement in SSAP 9 that stocks should be valued at the lower of cost and net realisable value, but the difference is not material to the accounts.

<b>31/3/08</b>		<b>31/3/09</b>
£000		£000
25	Museums	9
17	Tourism	7
21	Franking	0
1	Other	1
<u>64</u>		<u>17</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**23. Debtors & Provisions for Bad Debts**

An analysis of the Council's debtors at 31 March is shown below :-

<b>31/3/08</b>		<b>31/3/09</b>
<b>As restated</b>		
£000		£000
	<b>Gross Debtors</b>	
1,234	Non-Domestic Rates Tax Payers	1,458
2,782	Council Tax Payers	2,786
592	Housing Tenants	630
20	Hampshire & Isle of Wight Police Authority	3
9	Hampshire Fire & Rescue Authority	1
0	Department for Work & Pensions	354
0	H M Revenue & Customs	946
677	Benefit Claimants	630
282	Local Taxation Court Costs	285
1,167	Other	1,335
338	Payments made in Advance	673
<u>7,101</u>	<b>Gross Debtors</b>	<u>9,101</u>
	<b>Less Provisions for Bad Debts:</b>	
(818)	- General Fund	(797)
(342)	- Housing Revenue Account	(360)
<u>(2,366)</u>	- Collection Fund	<u>(2,433)</u>
<u>(3,526)</u>	<b>Total Provisions</b>	<u>(3,590)</u>
<u>3,575</u>	<b>Net Debtors</b>	<u>5,511</u>

The balances at 31/3/08 have been restated to net off creditor balances with the same organisations.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**24. Creditors**

<b>31/3/08</b>	<b>31/3/09</b>
<b>As restated</b>	
£000	£000
(297) Department for Work & Pensions	0
(32) H M Revenue & Customs	0
Department of Communities & Local	
(775) Government	(505)
(24) Home Office	(31)
(690) Hampshire County Council	(7)
(2,746) Trade Creditors	(4,629)
(2,621) Amounts received in advance	(4,063)
(626) Other	(262)
<u>(7,811)</u>	<u>(9,497)</u>

The balances at 31/3/08 have been restated to net off debtor balances with the same organisations.

**25. Grants and Contributions Unapplied**

This account includes grants and contributions from developers and other bodies. When used, capital funding is transferred to Government Grants Deferred (see Note 26); revenue funding is immediately off-set against the total cost.

Balance	Interest	Amounts	Amounts	Balance
<b>31/3/08</b>	added	received	applied	<b>31/3/09</b>
£000	£000	£000	£000	£000
(185) Government Grants	(9)	(534)	357	(371)
(3,523) Other Grants and	(73)	(337)	517	(3,416)
Contributions				
<u>(3,708)</u>	<u>(82)</u>	<u>(871)</u>	<u>874</u>	<u>(3,787)</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**26. Government Grants Deferred**

Government Grants Deferred includes grants and contributions that have been applied to finance capital expenditure. They are usually written down over the life of the financed assets, by credits to revenue to offset depreciation on the assets to which they relate. Details are as follows :-

<b>2007/08</b>		<b>2008/09</b>
£000		£000
(1,066)	Grants applied for capital investment	(572)
<u>1,253</u>	Deferred grants credited to revenue	<u>724</u>
187	Net decrease in Deferred Capital Grants	152
<u>(2,001)</u>	Balance brought forward	<u>(1,814)</u>
<u><u>(1,814)</u></u>	Balance carried forward	<u><u>(1,662)</u></u>

**27. Deferred Liabilities**

In 2002, the Council permitted the contractor to carry out works, at his own expense, totalling £144,000 at the River Park Leisure Centre. However, as these increased the value of the asset and there was a possibility that consideration might be payable at a later date, a credit arrangement was deemed to have been entered.

The deferred liability represents the possible future cost and is being written down in line with consideration paid, which in this case is the extra income generated. The remaining balance will be written off in 2009/10.

**28. Provisions**

<b>31/3/08</b>		<b>31/3/09</b>
£000		£000
(185)	Insurance	(338)
<u>0</u>	Other	<u>(163)</u>
<u><u>(185)</u></u>		<u><u>(501)</u></u>

The insurance provision arises from an actuary's estimate of excesses payable in respect of liabilities existing at the balance sheet date. It also includes cover for potential liabilities under the Municipal Mutual Insurance scheme of arrangement.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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## 29. Total Net Worth

The Council discloses a number of reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. A summary of these reserves is given below.

Reserve	Balance 1 April 2008 £000	Net Movement in Year £000	Balance 31 March 2009 £000	Purpose of Reserve	Further Detail of Movements
Capital Adjustment Account	485,387	(46,210)	439,177	Resources set aside to match charges for past expenditure	See (a)
Revaluation Reserve	19,863	(2,569)	17,294	Unrealised gains on revaluation of fixed assets	See (b)
Financial Instruments Adjustment Account	(900)	(137)	(1,037)	Deferred losses on revaluation of investments	See (c)
Available-for-sale Financial Instruments Reserve	335	(335)	0	Allowances for differences in statutory requirements and proper accounting practices for borrowing and investments	See (c)
Usable Capital Receipts Reserve	8,394	(1,705)	6,689	Proceeds of fixed asset sales available to meet future capital investment	See (d)
Deferred Capital Receipts Reserve	369	(56)	313	Capital income or consideration still to be received	See (e)
Pensions Reserve	(25,181)	(16,029)	(41,210)	Mirrors the pension liability in the balance sheet	See Note 33
HRA Major Repairs Reserve	76	230	306	Resources available to finance HRA capital expenditure or repay debt	See HRA Note H3
Major Investment Reserve	4,512	(200)	4,312	The principal earmarked reserve: created to finance both capital and service expenditure	See (f)
Other Earmarked Reserves	3,591	479	4,070	Resources set aside for specific policy purposes	See (g)
General Fund	2,000	0	2,000	Resources available to meet future running costs for Council services	See Pages 18 and 19
Housing Revenue Account	1,329	(158)	1,171	Resources available to meet future running costs for Housing Services	See HRA on Page 61
Collection Fund	(26)	22	(4)	Council's share of undistributed Collection Fund balance	See Page 69 Note C4
	<u>499,749</u>	<u>(66,668)</u>	<u>433,081</u>		

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**29(a) Capital Adjustment Account**

Movement in amounts set aside to finance capital investment

	<b>2008/09</b>	
	£000	£000
<u>Additions Funded by</u>		
Capital Receipts	2,520	
Major Repairs Reserve	3,094	
Revenue Reserves	381	
		5,995
<u>Amortised to Revenue</u>		
Deferred Grants	724	
Depreciation	(6,270)	
Disposal of Assets	(1,056)	
Impairment	(46,294)	
		(52,896)
Amortisation of Revaluation Reserve		691
		(46,210)
Total movement in year		(46,210)
Balance brought forward		485,387
Balance carried forward as at 31/3/09		439,177

**29(b) Revaluation Reserve**

Movements in the unrealised value of fixed assets and the value of assets sold, disposed of or decommissioned.

	<b>2008/09</b>		
	General	Investment	
	revaluation	property	
	reserve	revaluation	Total
	£000	£000	£000
Balance brought forward	18,024	1,839	19,863
Amortisation	(691)	0	(691)
Revaluations in year	(1,035)	(843)	(1,878)
Balance carried forward	16,298	996	17,294

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**29(c) Available-for-sale Financial Instruments reserve and Financial Instruments Adjustment Account**

Financial assets are required to be carried at fair value (unless they have fixed or determinable payments but are not quoted in an active market), and the outcome of proper accounting practices for the Income and Expenditure Account is different from that required for assessing the impact on local taxes.

Details of the movements on the two reserves set up to manage the accounting requirements are given below. Both these reserves are matched by borrowings and investments within the Balance Sheet and are not resources available to the Council.

	Financial Instruments Adjustment Account £000	Available-for- sale Financial Instruments Reserve £000
Balance brought forward	(900)	335
HRA premiums amortised in year	226	0
LAMIT impairment adjustment	(179)	(335)
Housing Association loan impairment adjustment	(184)	0
Balance carried forward as at 31/3/09	<u>(1,037)</u>	<u>0</u>

The amortisation of HRA premiums relates to long-term loans repaid before maturity in 2001/02, when a penalty of £2.5 million was incurred. The premiums will be repaid by Government Housing Subsidy over the lesser of the remaining loan periods or ten years. To conform to statutory requirements, a sum equivalent to the subsidy received is appropriated annually to the General Fund.

The Local Authority Mutual Investment Trust (LAMIT) adjustment reverses the unrealised gains arising from a previous revaluation, held on the Available-for-sale Financial Instruments Reserve, and reflects on the Financial Instruments Adjustment Account the further write down in value below historic cost. Further information can be found in Note 19.

The Housing Association loan impairment is explained in Note 21.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**29(d) Usable Capital Receipts**

A summary of the movements on this reserve during the year is given below.

	<b>2008/09</b>
	£000
Sale of Assets	1,452
Other receipts	102
Usable receipts received in year	1,554
<b>Appropriations</b>	
Transfer to Movement on General Fund Balance for proportion of HRA receipts payable to Government	(739)
Amounts used to finance new capital investment	(2,520)
<b>Decrease in Usable Capital Receipts</b>	<b>(1,705)</b>
Balance brought forward	8,394
Balance carried forward	6,689

**29(e) Deferred Capital Receipts**

The balances on this reserve are made up as follows:

	<b>2007/08</b>	<b>2008/09</b>
	£000	£000
25 Principal outstanding from Council House sales		20
294 Advances to Housing Associations		293
50 Deferred capital receipt re debenture		0
	369	313
	369	313

**29(f) Major Investment Reserve**

A summary of the movements on this reserve during the year is given below.

	<b>2008/09</b>
	£000
Transfer to Earmarked Reserve:	
Local Authority Business Growth Incentive	(212)
Transfer from General Fund	12
Balance brought forward	4,512
Balance carried forward	4,312



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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**29(g) Movement on Earmarked Reserves**

There are a number of earmarked reserves that have been created either for specific projects or for the development and preservation of levels of expenditure for specific services.

Balance 31/3/08 £000		Transfers in (incl interest) £000	Transfers out £000	Balance 31/3/09 £000
572	Bapsy Bequest (interest)	69	0	641
646	Car Park Property	0	(160)	486
2	Guildhall Kitchen Equipment	0	(2)	0
269	ICT Strategy	0	(257)	12
382	Insurance	0	(352)	30
97	Land Charges Computerisation	0	(59)	38
65	Leisure, Arts and Cultural Grants	0	(26)	39
324	Local Authority Business Growth Incentive	1,205	(138)	1,391
28	Local Development Framework	47	0	75
16	Museums Acquisitions	0	(1)	15
43	Museums Publications	0	(22)	21
65	Non-Operational Property Repairs	0	0	65
57	Planning Delivery	0	0	57
535	Planning Deposits (interest)	93	(106)	522
400	Property Repairs and Renewals	200	0	600
10	Sewage Works Replacement Contributions	1	0	11
15	Town Twinning	0	(3)	12
3,526		1,615	(1,126)	4,015
65	Winchester Town Reserve	774	(784)	55
3,591		2,389	(1,910)	4,070

The Winchester Town Reserve carries the balances relating to specified expenditure and income, in respect of services which are deemed to be primarily for the benefit of the residents of the Winchester Town Area. This is in accordance with the Council's policy to treat all expenses of the Council as general expenses other than those specifically identified to be treated as Special Expenses under Section 35 of the Local Government Finance Act 1992. The cost is recovered through Council Tax in a similar way to parish precepts.

**30. Analysis of Net Assets Employed**

In the following analysis of the Net Worth section of the Balance Sheet, 2007/08 is restated to show the net book value of the buildings used as part of trading operations. These were not separately identified in prior years. The reserve to cover the pension fund deficit has been allocated entirely to the General Fund.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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2007/08		2008/09
Restated		
£000		£000
47,328	General Fund	13,402
412,862	Housing Revenue Account	381,458
<u>39,559</u>	Trading Operations	<u>38,221</u>
<u><u>499,749</u></u>		<u><u>433,081</u></u>

### **31. Contingent Asset**

In 2006 the VAT and Duties Tribunal found that four local authorities did not have to charge VAT on off street car parking in their areas; litigation is continuing. While continuing to charge this VAT and pay it over to Revenue & Customs, the Council has lodged protective claims.

In addition, during the year, due to the Fleming case and the resulting HMRC brief 07/08, the Council has lodged a further protective claim of £2.2m for the years 1974/75 to 1993/94.

The Council has also lodged protective claims for compound interest for the above and a car parks excess charges and penalties claim pending the conclusion of a test case that has started in the High Court.

### **32. Contingent Liability**

Five bus operating companies have made appeals against the Hampshire Concessionary Travel Scheme relating to 2007/08. These cases are expected to be resolved in 2009/10 but, due to their nature and the formula for allocating a proportion of the costs to the Winchester District, it is not possible to quantify the potential liability.

However, during 2008/09, the Council made a payment of £63,733 in settlement of its share of a previous claim by Stagecoach relating to 2006/07. A further £30,000 in final settlement of this case has been accrued in these Accounts.

### **33. Defined Benefit Pension Scheme**

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to the pension schemes for its employees.

The Council participates in the Local Government Pension Scheme (LGPS), which is a defined benefit final salary scheme, administered by Hampshire County Council. The scheme is largely funded, meaning that employers and employees pay contributions into a fund calculated at a level intended to balance the pension fund's liabilities with its assets. There is also a small unfunded pension scheme relating to discretionary pensions paid on early termination of employment, details of which have been disclosed in part (e) of this note.

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**33(a) Change of accounting policy**

The Council has adopted the amendment to FRS17 *Retirement benefits*, which requires that quoted securities held as assets in the pension scheme be valued at bid price rather than mid-market value. As well as stating current values on this basis, the information from the actuary's report in sections (d) and (e) of this note restate the values for prior years as indicated. However, as the fall in the value of the fund's assets for 2007/08 amounts to less than 0.14% of the total fund, comparative values elsewhere in this Statement of Accounts have not been restated.

**33(b) Total charge against Council Tax**

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees. However, the charge made against Council Tax is based on the cash payable by the Council in the year, so the difference between this and the actual cost calculated under FRS17 is reversed out in the Statement of Movement in the General Fund Balance.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Net Cost Of Services</b>	
2,260	Current Service Cost	1,540
1,030	Past Service Costs	30
<u>3,290</u>		<u>1,570</u>
	<b>Net Operating Expenditure</b>	
4,870	Interest Cost	5,610
(3,850)	Expected Return on Assets In Scheme	(3,800)
<u>1,020</u>		<u>1,810</u>
4,310	<b>Total Charge to Income and Expenditure Account</b>	3,380
	<b>Net additional amount required by statute and non-statutory practices to be credited to the General Fund Balance for the year</b>	
(1,730)	Appropriation from Pensions Reserve	(1,060)
<u>2,580</u>	<b>Actual amount charged against Council Tax for pensions in the year</b>	<u>2,320</u>
	<b>Comprising</b>	
1,962	Employers' contributions payable to scheme	2,084
618	Payments relating to enhanced retirement benefits	236
<u>2,580</u>		<u>2,320</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, net actuarial losses of £14,969,000 (2007/08: gains of £10,766,000) were included in the Statement of Total Recognised Gains and Losses.

**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**33(c) Balance sheet presentation**

<b>31/3/08</b>		<b>31/3/09</b>
£000		£000
57,800	Share of Assets	45,870
(80,091)	Estimated Funded Liabilities	(84,150)
(2,890)	Estimated Unfunded Liabilities	(2,930)
<u>(25,181)</u>	Deficit	<u>(41,210)</u>
The following contributions were outstanding at the year end:		
11	Funded	0
110	Unfunded	100
<u>121</u>		<u>100</u>

**33(d) FRS 17 disclosures with respect to LGPS funded benefits**

The latest actuarial valuation of the Council's liabilities took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

**Principal financial assumptions**

<b>31/3/07</b>	<b>31/3/08</b>		<b>31/3/09</b>
			(% per annum)
3.2%	3.7%	Inflation	3.4%
4.7%	5.2%	Rate of general increase in salaries*	4.9%
3.2%	3.7%	Rate of increase to pensions in payment	3.4%
3.2%	3.7%	Rate of increase to deferred payments	3.4%
5.3%	6.8%	Discount rate	6.7%

*\* In addition the same age related promotional salary scales have been allowed as used at the actuarial valuation of the Fund as at 31 March 2007.*

**Principal demographic assumptions**

**Post retirement mortality**

<b>31/3/08</b>			<b>31/3/09</b>	
Males	Females		Males	Females
110%	110%	Scaling to base table rates for 2007	110%	110%
100% MC	100% MC	Cohort improvement factors (from 2007)	80% MC	60% MC
1.00%	0.50%	Minimum underpin to improv. factors	1.25%	1.25%
21.3	23.4	Future lifetime from age 65 (currently 65)	22.2	24.2
23.2	24.6	Future lifetime from age 65 (currently 45)	24.5	26.4

*Base table rates for 2007 are PNMA00 (males) and PNFA00 (females) with allowance for MC improvement factors to 2007.*

**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**Expected return on Assets**

Long-term expected		Long-term expected			Long-term expected	
rate of return at	Asset split at	rate of return at	Asset split at		rate of return at	Asset split at
<b>31/3/07</b>	<b>31/3/07</b>	<b>31/3/08</b>	<b>31/3/08</b>		<b>31/3/09</b>	<b>31/3/09</b>
(% pa)	(%)	(% pa)	(%)		(% pa)	(%)
7.7%	69.9%	7.6%	61.9%	Equities	7.0%	55.2%
6.7%	4.7%	6.6%	5.7%	Property	6.0%	7.3%
4.7%	21.5%	4.6%	26.6%	Government Bonds	4.0%	27.4%
5.3%	2.8%	6.8%	0.0%	Corporate Bonds	5.8%	3.9%
5.6%	1.1%	6.0%	5.8%	Cash/Other	1.6%	6.2%
6.9%	100.0%	6.7%	100.0%	<b>Total</b>	5.7%	100.0%

A building block approach is employed in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

**Reconciliation of funded status to balance sheet**

<b>31/3/07</b>	<b>31/3/08</b>		<b>31/3/09</b>
£M	£M		£M
57.89	57.72	Notional value of assets*	45.87
(89.12)	(80.08)	Present value of liabilities	(84.15)
<u>(31.23)</u>	<u>(22.36)</u>	Net pension liability	<u>(38.28)</u>

\* Asset values for years ending 2007 and 2008 have been restated in this note to reflect the new FRS17 (as amended) requirement to measure the investments at mid-market value. The decrease in value at 31 March 2008, being less than 0.14% of the original valuation, was not considered material, and the comparative figures have not been restated in the Financial Statements.

**Analysis of Income and Expenditure charge**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
2.26	Current service cost	1.54
1.03	Past service cost	0.03
4.72	Interest cost	5.43
<u>(3.84)</u>	Expected return on assets	<u>(3.80)</u>
<u>4.17</u>	<b>Expense recognised</b>	<u>3.20</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**Changes to the present value of liabilities during the year**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
89.12	Opening present value of liabilities	80.08
2.26	Current service cost	1.54
4.72	Interest cost	5.43
0.67	Contributions by participants	0.79
(14.54)	Actuarial gains on liabilities*	(0.78)
(3.18)	Net benefits paid out**	(2.94)
1.03	Past service cost	0.03
<b>80.08</b>	<b>Closing present value of liabilities</b>	<b>84.15</b>

\* Includes changes to the actuarial assumptions.

\*\* Consists of net cash flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £0.05M for the year ending 31 March 2009.

**Changes to the fair value of assets during the accounting period**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
57.89	Opening fair value of assets	57.72
3.84	Expected return on assets	3.80
(3.89)	Actuarial losses on assets	(15.62)
2.39	Contributions by the employer	2.12
0.67	Contributions by participants	0.79
(3.18)	Net benefits paid out	(2.94)
<b>57.72</b>	<b>Closing fair value of assets</b>	<b>45.87</b>

**Actual return on assets**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
3.84	Expected return on assets	3.80
(3.89)	Actuarial loss on assets	(15.62)
<b>(0.05)</b>	<b>Actual return on assets</b>	<b>(11.82)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**Analysis of amount recognised in STRGL**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
14.54	Actuarial gains on liabilities	0.78
(3.89)	Actuarial loss on assets	(15.62)
0.01	Rounding	0.00
<u>10.66</u>	<b>Net gain/(loss) in STRGL</b>	<u>(14.84)</u>

*STRGL (Statement of Total Recognised Gains & Losses)*

**History of asset values, present value of liabilities and deficit**

<b>31/3/05</b>	<b>31/3/06</b>	<b>31/3/07</b>	<b>31/3/08</b>		<b>31/3/09</b>
£M	£M	£M	£M		£M
45.13	54.87	57.89	57.72	Fair value of assets	45.87
(75.46)	(85.06)	(89.12)	(80.08)	Present value of liabilities	(84.15)
<u>(30.33)</u>	<u>(30.19)</u>	<u>(31.23)</u>	<u>(22.36)</u>	<b>Deficit</b>	<u>(38.28)</u>

In accordance with Para 77(o) of FRS17 (as revised), the assets for the current period and the previous two years have been measured at current bid price. Asset values previously measured at mid-market value for years ending 2008 and 2007 have been re-measured for this purpose. Asset values for years ending 2006 and 2005 have not been re-measured, as permitted by FRS17 (as revised).

**History of experience gains and losses**

<b>31/3/05</b>	<b>31/3/06</b>	<b>31/3/07</b>	<b>31/3/08</b>		<b>31/3/09</b>
£M	£M	£M	£M		£M
(1.43)	(7.43)	0.08	(3.89)	Experience losses on assets	(15.62)
(1.20)	0.06	0.17	0.23	Experience gains/(losses) on liabilities*	(0.40)

*\* This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.*

In accordance with Para 79 of FRS17 (as revised), unfunded liabilities are disclosed in a separate section of this note for periods beginning on or after 6 April 2007. The history of experience gains/(losses) on liabilities shown above has not been re-stated for periods ending 2007, 2006 and 2005, and includes that relating to unfunded liabilities.

**33(e) FRS17 disclosures with respect to LGPS unfunded benefits**

The information with respect to actuarial assumptions used, already detailed in the section on LGPS funded benefits, is the same for the unfunded scheme.

**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**Analysis of Income and Expenditure charge**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
0.15	Interest cost	0.18
<u>0.15</u>	<b>Expense recognised</b>	<u>0.18</u>

**Changes to the present value of liabilities during the year**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
2.95	Opening present value of liabilities	2.78
0.15	Interest cost	0.18
(0.13)	Actuarial (gains)/losses on liabilities*	0.07
<u>(0.19)</u>	Net benefits paid out	<u>(0.20)</u>
<u>2.78</u>	<b>Closing present value of liabilities</b>	<u>2.83</u>

\* Includes changes to the actuarial assumptions.

**Analysis of amount recognised in STRGL**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
0.13	Actuarial (gains)/losses on liabilities	(0.07)
<u>0.13</u>	<b>Net gain/(loss) in STRGL</b>	<u>(0.07)</u>

**History of present value of liabilities and deficit**

<b>31/3/05</b>	<b>31/3/06</b>	<b>31/3/07</b>	<b>31/3/08</b>		<b>31/3/09</b>
£M	£M	£M	£M		£M
(2.69)	(3.06)	(2.95)	(2.78)	Present value of liabilities	(2.83)
<u>(2.69)</u>	<u>(3.06)</u>	<u>(2.95)</u>	<u>(2.78)</u>	<b>Deficit</b>	<u>(2.83)</u>

**History of experience gains and losses**

<b>31/3/08</b>		<b>31/3/09</b>
£M		£M
<u>(0.07)</u>	Experience losses on liabilities*	<u>(0.04)</u>

\*This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.



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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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In accordance with Para 79 of FRS17 (as revised), unfunded liabilities should be disclosed separately for accounting periods beginning on or after 6 April 2007. This disclosure note shows the experience losses on liabilities for the years ending 2008 and 2009 only. For years ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

Further information can be found in the actuary's valuation report and the Hampshire County Council's Pension Fund Annual Report, which are available from the County Treasurer, The Castle, Winchester, Hampshire, SO23 8UB.

### **34. Business Improvement Districts**

The Council is the billing authority for 2 Business improvement districts (BID).

Segensworth came into effect of the 1<sup>st</sup> April 2007 for a 5 year period for the purpose of improving the four Segensworth estates and is managed by the Segensworth Business Forum Ltd. The area covered covers both Winchester City Council 17.4% and Fareham Borough Council 82.6%. The Council has contracted out the collection of the BID to Fareham Borough Council.

2007/08		2008/09
£000	<b>Segensworth</b>	£000
0	Surplus brought forward	(10)
(161)	BID Levy Income	(181)
151	Payments to Segensworth Business Forum Ltd	165
<u>(10)</u>	Surplus Carried Forward	<u>(26)</u>

Winchester came into effect on the 1st April 2008 for a 5 year period for the purpose of making Winchester city centre a better place for business and is managed by Winchester City Centre Partnership.

2007/08		2008/09
£000	<b>Winchester</b>	£000
0	BID Levy Income	(407)
0	Expenditure incurred by Winchester City Council	22
0	Payments to Winchester City Centre Partnership	385
<u>0</u>		<u>0</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**35. Net Revenue Activities**

A reconciliation from the deficit on the Income and Expenditure Account to the cash flow from Net Revenue Activities shown in the Cash Flow Statement is as follows:-

<b>2007/08</b>		<b>2008/09</b>
<b>As</b>		
<b>restated</b>		
£000		£000
6,190	<b>Deficit on Income &amp; Expenditure Account</b>	49,496
	<b>Adjustments :</b>	
1,923	Interest receivable	1,929
1,478	Gain on sale of fixed assets	445
(1,730)	FRS 17 adjustment on pension fund	(1,060)
	<b>Capital Reserve Contributions :</b>	
(351)	Amortisation of intangible fixed assets	(240)
(3,622)	Depreciation & Impairment of fixed assets	(3,899)
(3,706)	HRA depreciation	(48,037)
390	Grants deferred amortisation	724
	<b>Revenue Expenditure Funded from Capital under</b>	
(1,215)	Statute	(891)
0	Investment impairment	(179)
24	Deferred liability written down	24
(18)	Interest payable	(507)
<hr/>		<hr/>
(637)		(2,195)
52	Collection Fund deficit	(23)
13	Stocks & Work-in-Progress	(47)
731	Grants Applied to Revenue	853
(2,439)	Revenue Accruals	(335)
<hr/>		<hr/>
<u>(2,280)</u>	<b>Net Revenue Activities</b>	<u>(1,747)</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**36. Analysis of Government Grants**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Revenue Grants</b>	
	<u>DCLG</u>	
(100)	Choice Based Letting	0
0	Council tax leaflet	(10)
(23)	Homelessness	(53)
0	Housing	(8)
7,095	Housing Subsidy	8,351
(94)	LA Business Growth Incentive	(992)
(247)	Planning Delivery Grant	(284)
(979)	Revenue Support	(849)
	<u>DEFRA</u>	
(28)	English Heritage	0
(52)	Materials Recycling	0
	<u>DFT</u>	
(72)	Concessionary Travel	(256)
	<u>DH</u>	
(46)	Smoke Free Implementation	0
	<u>DWP</u>	
(22,564)	Benefits	(23,155)
(2)	Central Services	0
(102)	Community Safety	0
<u>(17,213)</u>		<u>(17,256)</u>
	<b>Capital Grants</b>	
	<u>DCLG</u>	
(270)	Disabled Facilities	(450)
	<u>DCMS</u>	
0	Free Swimming Under 16's	(33)
	<u>DEFRA</u>	
(53)	Waste Recycling	0
<u>(323)</u>		<u>(483)</u>
<u>(17,536)</u>	<b>Total Grants</b>	<u>(17,739)</u>

**NOTES TO THE CORE FINANCIAL STATEMENTS  
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**37. Movement in Net Debt**

<b>2007/08</b>			<b>2008/09</b>	
£000	£000		£000	£000
52		General Fund proportion of Collection Fund	(23)	
(302)		Housing Revenue Account	158	
1,027		Major Investment Reserve	0	
<u>253</u>		Earmarked Revenue Reserves	<u>(279)</u>	
		<b>Net decrease/(increase) in Revenue Reserves</b>		<b>(144)</b>
	1,030			
	0	<b>Increase in Long Term Investments</b>		<b>307</b>
	(12)	<b>Decrease in Long Term Revenue Debtors</b>		<b>(196)</b>
		<b>Current Assets &amp; Liabilities</b>		
12		Increase/(decrease) in Stocks	(47)	
(1,174)		(Decrease)/increase in Debtors	2,000	
(307)		Increase in provisions for bad & doubtful debts	(64)	
(1,744)		Increase in Creditors	(1,686)	
<u>100</u>		Increase/(decrease) in Provisions	<u>(316)</u>	
	<u>(3,113)</u>			<u>(113)</u>
		<b>Increase in Revenue Reserves and Accounts</b>		<b>(146)</b>
	(2,095)			
307		Decrease in usable capital receipts	1,706	
0		Decrease in Deferred Capital Receipts	56	
(11)		Increase in HRA Major Repairs Reserve	(230)	
		(Increase)/decrease in Financial Instruments		
(226)		Adjustment Account	138	
559		Decrease/(increase) in Grants Unapplied	(79)	
<u>24</u>		Decrease In Deferred Liability	<u>24</u>	
		<b>Decrease in capital reserves &amp; contributions</b>		<b>1,615</b>
	<u>653</u>			
		<b>Cash (inflow)/outflow before changes in net debt</b>		<b>1,469</b>
	<u>(1,442)</u>			
		<b>Movement in net debt/investments</b>		
	712	Increase in cash and bank		507
	47	Decrease in cash overdrawn		0
		Increase/(decrease) in temporary investments		<b>(1,976)</b>
	<u>683</u>			<u>(1,469)</u>
	<u>1,442</u>			<u>(1,469)</u>

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**NOTES TO THE CORE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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**38. Financing & Management of Liquid Resources**

	<b>2008/09</b>			
	<b>Balance 01/4/08</b>	<b>Cashflow</b>	<b>Non Cash</b>	<b>Balance 31/3/09</b>
	£000	£000	£000	£000
Short Term investments	23,000	(1,736)	0	21,264
Interest Accruals	409	0	76	485
Investment impairment	0	0	(316)	(316)
	<u>23,409</u>	<u>(1,736)</u>	<u>(240)</u>	<u>21,433</u>
			<u>(1,736)</u>	
Decrease in temporary investments			<u>(1,976)</u>	

Liquid resources comprise investments made for periods of less than one year and loans repayable within 12 months.

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## HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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£000	£000		£000	£000
		<b>Income</b>		
(18,199)		Dwelling Rents	(19,456)	
(963)		Non-Dwelling Rents	(1,007)	
<u>(1,862)</u>		Charges for Services & Facilities	<u>(2,048)</u>	
	(21,024)	<b>Total Income</b>		(22,511)
		<b>Expenditure</b>		
3,286		Repairs & Maintenance	3,932	
5,424		Supervision & Management	5,657	
279		Rents, Rates, Taxes & Other Charges	360	
		Negative Housing Revenue Account		
6,912		Subsidy Payable	<b>H1</b> 8,429	
3,706		Depreciation & Impairment of Fixed Assets	<b>H6</b> 47,719	
40		Debt Management Costs	41	
89		Increase in Bad Debt Provision	<u>18</u>	
	<u>19,736</u>	<b>Total Expenditure</b>		<u>66,156</u>
		<b>Net Cost of HRA Services per Authority</b>		
	(1,288)	<b>Income &amp; Expenditure Account</b>		43,645
	141	HRA Services Share of Corporate & Democratic Core		179
	57	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		59
	<u>(1,090)</u>	<b>Net Cost of HRA Services</b>		<u>43,883</u>
	(1,330)	Gain on Sale of HRA Fixed Assets		(379)
	657	Interest Payable & Similar Charges		507
	225	Amortisation of Premiums & Discounts		0
	(94)	Interest and Investment Income		(160)
	<u><u>(1,632)</u></u>	<b>(Surplus) or Deficit for year on HRA Services</b>		<u><u>43,851</u></u>

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**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

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This reconciliation statement summarises the differences between the deficit on the Income and Expenditure Account and the Housing Revenue Account Balance.

<b>2007/08</b>			<b>2008/09</b>	
£000	£000	Note	£000	£000
	(1,632)	(Surplus) or Deficit for the year on the Housing Revenue Account		43,851
<b>Items included in the HRA Income &amp; Expenditure Account but excluded from the movement on the HRA balance for the year</b>				
	0	Difference between amounts charged to I & E for premiums and discounts and the charge for the year determined in accordance with statute	226	
	0	Difference between any other item of I & E determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(44,076)	
1,330		Gain on sale of Fixed Assets	379	
<u>(63)</u>		Net charges made for retirement benefits in accordance with FRS 17	<u>H2 97</u>	
	1,267			(43,374)
<b>Items not included in the HRA Income &amp; Expenditure Account but included in the movement on the HRA balance for the year</b>				
442		Capital expenditure funded by the HRA	H5 0	
<u>(380)</u>		Transfer from the Major Repairs Reserve	H3 <u>(319)</u>	
	<u>62</u>			<u>(319)</u>
	(303)	(Increase)/Decrease in HRA Balance		158
	(1,026)	Housing Revenue Account Surplus Brought Forward		(1,329)
	<u>(1,329)</u>	Housing Revenue Account Surplus Carried Forward		<u>(1,171)</u>
Sub-divided as follows				
	(302)	Reserved for Insurance purposes		(45)
	(1,027)	Operational Working Balance		(1,126)
	<u>(1,329)</u>			<u>(1,171)</u>

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**NOTES TO THE HOUSING REVENUE ACCOUNT BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

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### H1. Housing Subsidy

The HRA subsidy can be broken down as follows in accordance with the elements set out in the general formula in paragraph 3.1 of the general determination of Housing Revenue Account Subsidy for the year.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Subsidy Elements</b>	
(7,056)	Management & maintenance allowance	(7,157)
(3,326)	Major repairs allowance	(3,324)
(853)	Charges for capital	(706)
(687)	Rental Constraint Allowance	0
19,114	Notional rent	19,613
3	Interest on receipts	3
<u>7,195</u>		<u>8,429</u>
(283)	Previous year adjustment	0
<u><u>6,912</u></u>		<u><u>8,429</u></u>

### H2. FRS 17 Retirement Benefits

In accordance with the requirements of FRS17 and the Government statutory regulations regarding the Housing Revenue Account, the account has been charged with an allocation of its share of the current service cost.

The additional cost of this allocation has been met by a contribution from the Pensions Reserve, so that its effect on the account is neutral.

### H3. Major Repairs Reserve

This is a statutory reserve used to fund the Housing Revenue Account (HRA) capital expenditure and it is financed by depreciation to the limit of the major repairs allowance (MRA), within the housing subsidy. Adjustments are made between the HRA and this reserve when depreciation either exceeds or is less than the MRA, so that any charge on the HRA is exactly offset by the MRA subsidy income. Movements in the year were as follows:

<b>2007/08</b>		<b>2008/09</b>
£000		£000
(3,706)	HRA depreciation	(3,643)
380	HRA depreciation in excess of MRA	319
<u>(3,326)</u>	Net Charge to HRA	<u>(3,324)</u>
3,315	HRA capital financed	3,094
<u>(11)</u>	Movement in year	<u>(230)</u>
(65)	Balance brought forward	(76)
<u><u>(76)</u></u>	Balance carried forward at 31/3/09	<u><u>(306)</u></u>



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**NOTES TO THE HOUSING REVENUE ACCOUNT BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

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**H4. Housing Stock**

The number and types of dwelling in the Council's housing stock as at 31 March were made up as in the following table. Comparative figures have been reanalysed and restated to include void properties, excluded in error from previous declarations.

<b>31/3/08</b>		<b>31/3/09</b>
<b>As restated</b>		
Number	<b>Council Dwellings</b>	Number
2,306	Houses	2,302
863	Bungalows	862
1,939	Flats & Maisonettes	1,934
15	Shared ownership	15
<u>5,123</u>		<u>5,113</u>

The Balance Sheet value of land, housing and other property within the HRA as at 31 March is given below. The comparative figures have been restated to separately identify the community assets.

<b>31/3/08</b>		<b>31/3/09</b>
<b>As restated</b>		
£000		£000
	<b>Operational assets</b>	
407,631	Dwellings	363,227
13,060	Other land & property	13,025
22	Community assets	22
40	Plant & equipment	29
<u>420,753</u>		<u>376,303</u>
	<b>Non-operational assets</b>	
2,220	Investment properties	2,441
448	Surplus assets	610
0	Under construction	27
<u>2,668</u>		<u>3,078</u>
<u>423,421</u>		<u>379,381</u>

In arriving at the Balance Sheet value, the vacant possession value of a property is multiplied by a Government recommended percentage to arrive at the value for social housing. The figure for both 2008/09 and 2007/08 was 45%.

The valuation for existing use for social housing, which is the value held in the Statement of Accounts, was £408 million at 31 March 2008 and £363 million at 31 March 2009. The vacant possession values were £906 million and £807 million respectively.

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**NOTES TO THE HOUSING REVENUE ACCOUNT BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

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In calculating the notional rent element in the subsidy calculation the Government uses the capital value of dwellings as one of the components. By using a lower than open market vacant possession valuation, the total notional rent is therefore less. As this element is deducted from other elements in the subsidy calculation, the net subsidy from the Government is increased as a result. Details of the subsidy elements are set out in Note H1 to the Housing Revenue Account.

**H5. Capital Expenditure and Receipts**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Capital Expenditure</b>	
4,395	Dwellings	3,567
269	Other land and property	0
0	Assets under construction	27
4,664	<b>Expenditure in year</b>	3,594
	Financed by:	
907	Capital receipts	500
3,315	Major repairs reserve	3,094
442	Contributions from revenue	0
4,664		3,594
	<b>Capital Receipts</b>	
	Operational Assets	
3,521	Dwellings	1,128
25	Mortgages	5
15	Other	0
450	Non-operational assets	0
4,011	<b>Total Operational</b>	1,133

**H6. Depreciation & Impairment**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<u>Depreciation</u>	
3,326	Dwellings	3,324
354	Operational Land & Buildings	306
10	Plant & Equipment	11
16	Surplus assets	3
3,706		3,644
	<u>Impairment</u>	
0	Dwellings	43,886
0	Operational Land & Buildings	189
0		44,075
3,706	<b>Total</b>	47,719

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**NOTES TO THE HOUSING REVENUE ACCOUNT BALANCE  
FOR THE YEAR ENDED 31 MARCH 2009**

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As at the 1 April 2007 a new fixed assets accounting system was adopted by local government and property values at that date were deemed to be historic cost. The market value of the properties in general has dropped below their 1 April 2007 values and the Council is obliged to treat a fall below historic cost as an impairment.

**H7. Rent Arrears**

<b>31/3/08</b>		<b>31/3/09</b>
£000		£000
446	Rent Arrears	538
(342)	Provision for Bad Debts	(360)
<u>104</u>	Anticipated Collectable Arrears	<u>178</u>

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**COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

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This account reflects the statutory requirements for the Council, as a billing authority, to maintain a separate Collection Fund. It summarises income from non-domestic rates and Council Tax and shows its distribution to precepting authorities, the Council's General Fund and Central Government. The Collection Fund is consolidated within the Balance Sheet, but only the Council's share of the revenue is included in the Income and Expenditure Account.

<b>2007/08</b>			<b>2008/09</b>		
£000	£000		Note	£000	£000
<b>Income</b>					
(56,827)		Net Council Tax	<b>C1</b>	(60,278)	
(39,005)		Non-Domestic Rates	<b>C2</b>	(42,921)	
(4,155)		Council Tax Benefits		(4,449)	
	<u>(99,987)</u>			<u>(107,648)</u>	
<b>Expenditure</b>					
44,591		Hampshire County Council Precept		47,000	
7,953		Winchester City Council Demand		8,421	
5,850		Hampshire & Isle of Wight Police Authority Precept		6,376	
2,616		Hampshire Fire & Rescue Authority Precept		2,740	
38,821		Payment to National Pool		42,734	
184		Business Rate Cost of Collection Allowance		187	
24		Movement in Provision for Council Tax Bad Debt		(73)	
73		Council Tax Written Off		143	
	<u>100,112</u>			<u>107,528</u>	
<b>Adjustments for previous years</b>					
	269	Contribution towards previous year's estimated Council Tax Surplus/(Deficit)	<b>C3</b>		(53)
	<u>394</u>	<b>Deficit/(Surplus) for year</b>			<u>(173)</u>
	(191)	<b>(Surplus)/Deficit brought forward</b>			203
	<u><u>203</u></u>	<b>Deficit carried forward</b>	<b>C4</b>		<u><u>30</u></u>

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**NOTES TO THE COLLECTION FUND ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

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**C1. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands, using 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund for the forthcoming year and dividing this by the Council Tax base.

The tax base is arrived at by adjusting the total number of properties in each band by a proportion to convert the number to a band D equivalent, which is then adjusted for discounts and collection rate.

The basic amount of tax for a band D property, which will vary according to Parish (average for district £ 1,371.77) is then multiplied by the proportion specified for the particular band to give an individual amount due.

For 2008/09 Council Tax bills were based on the following dwellings and proportions:-

Band	Estimated Number of Taxable Properties after Discounts & Exemptions	Ratio Equivalent	Number of Band D Equivalent Dwellings
Disabled A	1.75	5/9	0.97
A	1,480.54	6/9	987.03
B	4,852.54	7/9	3,774.20
C	9,521.21	8/9	8,463.30
D	7,729.67	1	7,729.67
E	7,535.50	11/9	9,210.06
F	5,781.88	13/9	8,351.60
G	4,656.70	15/9	7,761.17
H	547.55	18/9	1,095.10
Ministry of Defence			337.22
	42,107.34		47,710.32
Less adjustment for collection rates			(663.22)
			47,047.10

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**NOTES TO THE COLLECTION FUND ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

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The tax yield for 2008/09 was as follows:

<b>2007/08</b>			<b>2008/09</b>	
£000	£000		£000	£000
(69,143)		Gross Income	(73,165)	
		Less Exemptions and Revised Assessments	<u>2,983</u>	
<u>3,024</u>	(66,119)			(70,182)
4,155		Less Benefits	4,449	
<u>5,137</u>		Discounts & Reliefs	<u>5,455</u>	
	<u>9,292</u>			<u>9,904</u>
	(56,827)	Net Council Tax		(60,278)
	(4,155)	Contributions towards Benefits		(4,449)
		Write Offs & Provision for		
	<u>97</u>	Irrecoverable Debts		<u>70</u>
	<u>(60,885)</u>	<b>Net Total</b>		<u>(64,657)</u>
	<u>(61,010)</u>	<b>Original Estimate</b>		<u>(64,356)</u>

## **C2. National Non-Domestic Rates (NNDR)**

NNDR is organised on a national basis. The Government specified an amount (48.5p in 2008/09 and 44.4p in 2007/08) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. It also specified for certain businesses with a rateable value of less than £15,000 a small business rate (48.1p in 2008/09 and 44.1p in 2007/08). The Council is responsible for collecting rates due from the ratepayers in the area but pays the proceeds into an NNDR pool, administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The total rateable value at 31 March 2009 was £104.499 million and £103.044 million at 31 March 2008.

After reliefs and provisions, the NNDR income, of £42.921 million, was based on an average rateable value for the Council's area of £103.771 million for 2008/09 (£102.606 million for 2007/08) and was arrived at as follows:

**NOTES TO THE COLLECTION FUND ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

<b>2007/08</b>		<b>2008/09</b>
£000		£000    £000
(43,435)	Gross Income - (£98,915,520 x 0.485)	(47,974)
<u>(2,107)</u>	- (£ 4,855,865 x 0.481)	<u>(2,336)</u>
(45,542)		(50,310)
<u>3,412</u>	Less: Voids and Revised Assessments	<u>4,114</u>
(42,130)		(46,196)
	Less:	
111	Transitional Reliefs	93
2,663	Other Reliefs	2,739
	Interest Arising from Reduced	
62	Assessments	29
<u>289</u>	Write Offs and Provisions for Write Offs	<u>414</u>
3,125		3,275
<u><u>(39,005)</u></u>		<u><u>(42,921)</u></u>

**C3. Contribution towards previous year's estimated Council Tax Surplus/(Deficit)**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	Distributed as follows:-	
35	Winchester City Council	(7)
196	Hampshire County Council	(39)
26	Hampshire and Isle of Wight Police Authority	(5)
<u>12</u>	Hampshire Fire & Rescue Authority	<u>(2)</u>
<u><u>269</u></u>		<u><u>(53)</u></u>

**C4. (Surplus)/Deficit carried forward**

Any surpluses or deficits in respect of Council Tax are distributable to Hampshire County Council, Hampshire and Isle of Wight Police Authority, Hampshire Fire & Rescue Authority and the Council in proportion to the value of the respective precepts and demands made by the Authorities on the Collection Fund. The balance as at 31 March 2009 is made up of the following elements:

	£000
2007/08 Deficit	203
2008/09 Contribution	(53)
2008/09 Surplus	<u>(120)</u>
Deficit carried forward at 31 March 2009	<u><u>30</u></u>

The net deficit is reimbursable to the Collection Fund as follows:

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**NOTES TO THE COLLECTION FUND ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

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<b>2007/08</b>		<b>2008/09</b>
£000		£000
26	Winchester City Council	4
148	Hampshire County Council	22
20	Hampshire and Isle of Wight Police Authority	3
9	Hampshire Fire & Rescue Authority	1
<u>203</u>		<u>30</u>



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# ANNUAL GOVERNANCE STATEMENT

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## 1. Scope of Responsibility

Winchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Winchester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Winchester City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Winchester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website or can be obtained from the Council's offices (telephone 01962 840222 or by visiting the offices at Colebrook Street, Winchester). This statement explains how Winchester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 2. The Purpose of the Governance Framework

The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community, is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Winchester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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## ANNUAL GOVERNANCE STATEMENT

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The governance framework has been in place at Winchester City Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts for the 2008/09 financial year.

### 3. The Governance Framework

The key elements of good governance are:-

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Council's Performance Management Framework translates the needs of the community and requirements of Government, into cost effective local services designed to deliver the shared vision for the District (economic prosperity, a high quality environment and safe and strong communities) and meet statutory requirements.

The Council engages with its communities through a number of mechanisms, including community planning, consultation events, surveys and campaigns relating to specific initiatives, and regular 'Citizens' Panel' surveys. Building on the views expressed and evidence of needs and future trends, the Council has worked with partner organisations to agree a shared vision and set of aims and objectives for the District that is documented in the Winchester District Sustainable Community Strategy (2008 Refresh).

The Sustainable Community Strategy is reviewed and rolled forward on an annual basis. This is supplemented by more detailed information on the key projects and programmes of work that the authority will be delivering during the year – set out in the Corporate Business Plan. More detailed business and service plans are drawn up by each of the Council's Divisions, with targets set for individual members of staff through the annual appraisal process. This process also looks at the development and training needs of staff, with a programme of training then put in place to meet these needs.

Progress against Business Plans and budgets is monitored regularly by Corporate Management Team, Senior Managers and Portfolio Holders. Scrutiny committees receive quarterly reports focusing on delivery of key projects and

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## ANNUAL GOVERNANCE STATEMENT

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programmes of work and drawing attention to other areas where progress is exceeding, or falling short of targets.

A review of the Performance Management Framework was carried out in 2008/09 to take account of the new National Performance Framework, to ensure that all elements are working effectively together and roles and responsibilities are clearly defined and understood. Further work to enhance the Council's performance management system is planned in 2009/10.

The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance in relation to corporate governance, risk management and internal control.

The Council is subject to independent audit by the Audit Commission and receives ad hoc and annual reports. The Council supplements this work with a small internal audit team and ad hoc external peer reviews. The Principal Scrutiny Committee undertakes the core functions of an audit committee.

The Council's Constitution explains existing policy making and delegation procedures and the matters which must be dealt with by the full Council. It documents the role and responsibilities of Cabinet, each committee and members and officers. The Council has approved a protocol governing relationships between members and officers as part of its Constitution and has adopted codes of conduct for both officers and members which facilitate the promotion, communication and embedding of proper standards of behaviour. All officers have job descriptions and there are clearly defined schemes of delegation, all of which are reviewed from time to time.

The Council's Constitution incorporates clear guidelines to ensure that business is dealt with in an open manner except in circumstances when issues should be kept confidential. Meetings are open to the public except where personal or confidential matters are being discussed. All Cabinet /committee agendas, minutes and portfolio holder decisions are published promptly on the Council's website. In addition, senior officers of the Council can make some decisions under delegated authority. The over-arching policy of the Council is decided by the full Council. The Principal Scrutiny Committee and Scrutiny Panels hold Portfolio Holders to account for delivery of Council's policy framework within the agreed budget and protocols are in place for any departure from this to be properly examined.

Staff awareness training has been undertaken to ensure that the Council complies adequately with the provisions of the Data Protection and Freedom of Information Acts, and Equality requirements.

The Council has appointed the Head of Finance as the Section 151 officer with the statutory responsibility for the proper administration of the Council's financial affairs.

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## ANNUAL GOVERNANCE STATEMENT

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The Council has appointed the Corporate Director (Governance) as the statutory “Monitoring Officer” and has procedures to ensure that the Monitoring Officer is aware of any issues which may have legal implications.

All Cabinet reports are reviewed by the Head of Finance and Monitoring Officer. All reports to Cabinet are required to demonstrate how the matter links to the Council’s Sustainable Community Strategy/Corporate Business Plan, and highlight resource implications. Officers are also asked to draw out risk, equality, sustainability, management and legal issues as appropriate. Similar procedures are in place for the Scrutiny and Regulatory Committees.

The Council has whistle-blowing and anti-fraud and corruption policies. It has a formal complaints procedure and seeks to address and learn from complaints. The Council’s Standards Committee deals with complaints relating to the conduct of members.

Members’ induction training is undertaken after each election. Members receive regular updates and training on developments in local government.

#### **4. Review of Effectiveness**

Winchester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements includes wide input:-

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# ANNUAL GOVERNANCE STATEMENT

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## INPUTS TO THE ANNUAL GOVERNANCE STATEMENT



- **Managers and staff** have responsibility for the development and maintenance of a sound governance environment.
- **Elected members** are collectively responsible for the governance of the Council and the full Council is responsible for agreeing the Constitution, policy framework and budget.
- **Internal Audit** is responsible for monitoring the quality and effectiveness of systems of internal control. The Internal Audit Plan is based on the Strategic and Operational Risks Registers. The process includes quarterly reports to the Principal Scrutiny Committee on progress of audits and summaries of the outcome of each audit, together with reviews of whether agreed recommendations have been implemented. Internal Audit provides an annual

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## ANNUAL GOVERNANCE STATEMENT

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opinion on the internal control environment and issues that should be included in this statement.

Part of this review process is an annual review report by the Internal Audit Manager of the effectiveness of the Council's internal audit function. In the light of feedback we have concluded that internal audit is an effective part of the Council's governance arrangements.

- **External Audit** provides an annual Audit and Inspection Letter, which includes the results of the Use of Resources assessments. The Council currently has a score of 2 (out of 4) for this assessment (satisfactory). This relates to 2007/08 as 2008/09 has not yet been reported.
- **Corporate Directors and Heads of Division** complete annual statements of assurance and implement action plans identified as a part of this process.
- **The Monitoring Officer** has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are followed. He also reviews this statement. Amendments to the Constitution are considered by Cabinet, Principal Scrutiny Committee, the Standards Committee and Council from time to time as required to reflect managerial and operational changes.
- An officer **Risk Management Advisory Group** is responsible for monitoring risk management arrangements across the Council.
- An officer **Governance Group** co-ordinates the preparation of this statement and recommends the statement to the Corporate Management Team. The Group has undertaken a self-assessment of governance based on the Code of Corporate Governance.
- **The Corporate Management Team** reviews this statement and regularly deals with the management of risk. It has a role in setting the culture and values, agreeing the Governance Framework, and implementing the framework throughout all its work.
- **The Principal Scrutiny Committee**, in its role of Audit Committee, monitors the internal control environment through receipt of audit reports and this Statement, and keeps an overview of arrangements for risk management.
- The **Statement of Accounts Committee** approves this Statement and the Statement of Accounts.
- The **Cabinet** manages risk in making operational and governance decisions together with proposing and implementing the policy framework, budget and key strategies.
- The **Leader and Chief Executive** sign this Statement.

## ANNUAL GOVERNANCE STATEMENT

### EMERGING ISSUES

There are a number of issues which have been identified for both the current and future financial years. In identifying these issues, the Council has also stated how it plans to address them. Action is being taken to continue to address these issues and make further improvement as set out below:

<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
1	<b>Asset Management</b>	Complete review of condition of non-housing properties. Ensure that financial aspects of the Council's fixed assets are appropriately incorporated into the financial planning process, taking account of the possible impact of the current economic situation on the Council's properties.	<p>Review of Asset Management Plan and capital programme, including completion of the Phase 3 condition survey of non-housing related properties. Also, establish a programme for any further condition surveys required, including impact of energy usage. By 30 September 2009 – to enable input into 2010/11 budget process.</p> <p><i>Desired Outcome: The Council's fixed assets are employed to best effect in securing broader outcomes in the Sustainable Community Strategy and the Council has a funded three year programme for maintaining its non-housing properties . An unqualified Use of Resources opinion from Auditors will indicate our direction of travel in achieving this outcome (CMT Lead: Stephen Whetnall)</i></p>
2	<b>Procurement</b>	New procurement policy covering sustainability (incorporating equality and diversity) plus associated procedural guidance and staff training to replace current procurement strategy.	<p>New policy to be adopted by 31 January 2010.</p> <p><i>Desired Outcome: Procurement practice reflects policy and helps to achieve broader sustainable community strategy outcomes and statutory duties. (CMT Lead: Bob Merrett)</i></p>

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<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
	<b>Procurement (continued)</b>	Complete update to the Contract Procedure Rules and prepare Guidance Notes to assist tendering procedures as identified in Internal Audit Recommendations (I.A. ref 377 and 426). Update as required once new policy in place.	Completion by 30 September 2009. <i>Desired Outcome: Corporate Contracts Procedure Rules support officers in complying with Council policy and achieving broader community strategy outcomes when preparing, tendering and monitoring contracts. (CMT Lead: Stephen Whetnall)</i>
3	<b>Setting and achieving priorities within the context of recession and reduced resources for local government.</b>	<p>Improved consultation on Council priorities/budget.</p> <p>Improvement of links between corporate and departmental business planning, aligning departmental business plans to the sustainable community strategy and corporate business plan over a five year period. The financial strategy to be more effectively linked to asset, IT and human resource strategies.</p> <p>Effective management of vacancies to achieve target savings.</p> <p>Ensure capacity to deliver priorities and, in particular, major contract re-tendering processes.</p>	<p>Further refine corporate planning process including new type of service reviews and better integrated processes by 30 September 2009.</p> <p>Manage vacancies with sign off by CMT during 2009/10.</p> <p>Flexibility in management of people resources to address capacity issues which might otherwise prevent delivery of priorities (ongoing).</p> <p><i>Desired Outcome: Top priorities for the district achieved despite reduced resources. Savings made only at the expense of non-priorities. (CMT Lead: Bob Merrett)</i></p>
4	<b>Data Quality</b>	Establish range of data sets and owners, update data quality protocol and provide training.	<p>Implementation of Data Quality Policy and embedded across the Council by 31 December 2009.</p> <p><i>Desired Outcome: Reliable data quality for good governance. Measured through improved performance in Organisational Assessment. (CMT Lead: Bob Merrett)</i></p>



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<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
5	<b>Equality Assessments</b>	<p>The Council has completed all Equality Impact Assessments (EIA's) covering priority areas as set out in the programme along with a number completed in new areas of work. Work continues with the programme of EIA's and compliance with the Equality Framework.</p>	<p>Ongoing programme until 2011.</p> <p><i>Desired Outcome: Equality Impact Assessments and work undertaken to comply with the Equality Framework identify and implement continued improvements to services. Measured through improved customer satisfaction levels and improved levels of attainment in the Equality Framework. (CMT Lead: Simon Eden)</i></p>
6	<b>Financial Management</b>	<p>During 2008/09 there was continued development of the financial monitoring systems, supporting the effective delivery of objectives within budget.</p> <p>In 2009/10 it is planned to improve medium term financial planning by strengthening the links with other relevant strategies and developing rolling forecasts.</p> <p>The main financial systems were implemented in 1993, are operating with limited support and are not being developed. This is increasingly constraining the Council's ability to review and improve related business processes including; electronic procurement and other electronic processing; commitment accounting; and self service management accounting information.</p>	<p>The Financial Strategy will be reviewed in July 2009 and the Capital Strategy by October 2009.</p> <p><i>Desired Outcome: Limited resources applied in the most efficient and effective way to support the top priorities for the district. (CMT Lead: Stephen Whetnall)</i></p> <p>It is planned to implement a new financial system for the 2010/11 financial year.</p> <p><i>Desired Outcome: Secure long term functionality of Corporate Financial package. Use efficient business processes in selecting &amp; purchasing goods. Improve reporting and enquiry facilities of financial information. Better effective control for Debtor &amp; Creditor activities. (CMT Lead: Stephen Whetnall)</i></p>

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<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
	<b>Financial Management (continued)</b>	During 2008/09 turmoil in the global financial markets led to the Council's Investment Strategy being revised. This continues to be kept under close management and scrutiny.	Regular reporting to an informal member sub-group, and Treasury Management Strategy and Policies to be kept under review to ensure fit for purpose.  <i>Desired Outcome: The Council's Treasury Management Strategies, policies and investments reflect appropriately the security, liquidity and yield considerations. (CMT Lead: Simon Eden)</i>
7	<b>Health and Safety</b>	New health and safety framework now in place. Further work required to embed the health and safety culture across the council	Implement actions identified in the 2008/09 Internal Audit review of Health and Safety by 30 September 2009.  <i>Desired Outcome: Compliance with health and safety requirements leading to safe and healthy workplace. (CMT Lead: Simon Eden)</i>
8	<b>Housing Options</b>	In response to the wishes of its tenants, the Council currently retains its housing stock. There are sensitivities with funding for this and the Council will be carrying out a Housing Options Review in 2009 to advise its future direction with regard to ownership and management arrangements for this stock.	Review starts July 2009. Project may last 6-12 months.  <i>Desired Outcome: Viable and sustainable Housing Landlord service benefiting tenants and the wider community. (CMT Lead: Steve Tilbury)</i>
9	<b>Partnership Working</b>	Partnership governance review and development of guidance for partnerships on risk management.	New guidance to be produced by 30 November 2009.  <i>Desired Outcome: Good governance informs all partnership working and risk is actively managed. (CMT Lead: Bob Merrett)</i>

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<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
10	<b>Performance Management, New National Performance Framework, and Scrutiny Development</b>	<p>Further development of performance monitoring against community strategy outcomes, and service level customer outcomes. Includes arrangements for partnerships and monitoring of cross-cutting issues. Embedding of new data collection systems for National Indicator Set.</p> <p>Further development of scrutiny function (reflecting comments in IDeA corporate peer review). Encourage widening of focus to encompass all community strategy outcomes (incorporating Hampshire Area Agreement targets).</p>	<p>By 30 March 2010</p> <p><i>Desired Outcome: Value for money and the achievement of community strategy outcomes. (Measured via CAA and Organisational Assessment). (CMT Lead: Bob Merrett)</i></p>
11	<b>Programme and Project Management</b>	<p>Setting up of Corporate Project Office.</p> <p>Financial management of projects.</p> <p>Integration of project/programme management within existing performance management system.</p>	<p>Project Office Team to ensure that all relevant staff have details regarding project management methodology. Consider talent management programme for secondment of staff. By 31 July 2009.</p> <p>Corporate register of all projects and the Finance Division to be advised of all potential budgetary/financial commitments for each project. By 30 September 2009.</p> <p><i>Desired Outcome: Improved use of project management information to align workload with resources leading to successful delivery of priority outcomes. (CMT Lead: Simon Eden)</i></p>

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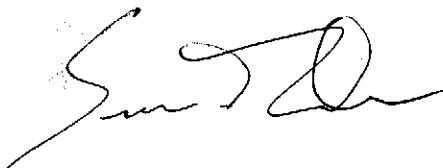
<b>2009/10 Corporate Governance Review Action Plan</b>			
<b>No.</b>	<b>Issue</b>	<b>Action in 2009/10</b>	<b>Progress/Comments/Outcomes (Lead Officer)</b>
12	<b>Risk Management</b>	<p>Establish clearer links between the strategic risk register and the community strategy.</p> <p>Ensure the Risk Strategy is complied with and the Risk Register is effectively maintained.</p>	<p>The integration of the 2009/10 business plans and risk actions to include links with strategic risks and the Sustainable Community Strategy was completed at 31/5/2009.</p> <p>Delivery of the revised Council's Risk Strategy and implementation of an integrated Performance Guide by 16 September 2009.</p> <p><i>Desired Outcome: Evidence of risk based decision making, improved performance and effective Corporate Governance. Risk management 'mainstreamed' so that broader outcomes can be achieved. (CMT Lead: Bob Merrett)</i></p>
13	<b>S106 Agreements</b>	Introduce a corporate system and procedures to co-ordinate control and management of S106 Agreements and finances.	<p>By 31 December 2009.</p> <p><i>Desired Outcome: Finances applied for the purpose for which it is intended leading to benefits for local communities. (CMT Lead: Steve Tilbury)</i></p>
14	<b>Leading the response to Climate Change</b>	Ensure commitment to the achievement of the Council/WDSP target on carbon reduction across the district and provide leadership to obtain commitment from key organisations currently not involved in the partnership.	<p>WDSP High Quality Environment Group Action Plan sets out the broad areas where action is required. Commitments to specific actions being sought from key partners across sectors. Interim progress reports to Scrutiny during the year.</p> <p>New economic development strategy should emphasise the importance of moving to a low carbon economy. Consultation draft due to go to Cabinet in July 2009.</p>

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2009/10 Corporate Governance Review Action Plan			
No.	Issue	Action in 2009/10	Progress/Comments/Outcomes (Lead Officer)
	<b>Leading the response to Climate Change (continued)</b>	Make resources available to reduce the carbon footprint of the Council which will in turn impact on the efforts for reduction in the wider community.	<p>Relevant training to be provided for planners and other key professionals.</p> <p>NI 185 baseline now compiled which gives us the Council's overall carbon footprint. Actions to reduce energy consumption now required across estates management, business mileage, and procurement. Update Carbon Management Plan for this purpose by 31 September.</p> <p><i>Desired Outcome: Reduction in carbon footprint of the Council, and of the wider district. (CMT Lead: Bob Merrett)</i></p>

We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the Sustainable Community Strategy and Corporate Business Plan monitoring.

Signed:



Simon Eden  
Chief Executive  
Winchester City Council

Dated: 25 June 2009

Signed:



Councillor George Beckett  
Leader of the Council  
Winchester City Council

Dated: 25 June 2009